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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 2000-2001 ended 31 December 2001*

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* The present document has not been edited.

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Der Vizepräsident
des Bundesrechnungshofes

53113 Bonn, 31 May 2002
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LETTER OF TRANSMITTAL

Sir,

I have the honour to present to the Industrial Development Board through the Programme and Budget Committee my report and audit opinion on the financial statements of the United Nations Industrial Development Organization for the financial period 2000-2001 ended 31 December 2001, which incorporate the financial statements of the Industrial Development Fund and Trust Funds for the same biennial period.

For information purposes, I enclose also copies of my audit opinion on the statements showing, as at 31 December 2001, the status of funds advanced by the United Nations Development Programme and the United Nations Population Fund to the United Nations Industrial Development Organization.

Accept Sir, the assurances of my highest consideration.

[*Signed*]
Norbert Hauser
Vice-President of the Federal Court of Audit
Germany
External Auditor

Enclosures

The President of the
Industrial Development Board
through the Chairperson of the Programme and Budget Committee
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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001

REPORT OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION, THE INDUSTRIAL DEVELOPMENT FUND AND TRUST FUNDS FOR THE FINANCIAL PERIOD 2000-2001 ENDED 31 DECEMBER 2001

I. General

1. I have audited the accounts of the United Nations Industrial Development Organization (UNIDO), the Industrial Development Fund (IDF) and Trust Funds (TF) for the financial period 1 January 2000 to 31 December 2001 in accordance with Article XI of the Financial Regulations of the Organization and the "Additional terms of reference governing the audit of the UNIDO" appended thereto.

2. The audit was carried out by staff of the German Federal Court of Audit at UNIDO Headquarters in Vienna. My staff furthermore carried out a field audit mission covering an umbrella project implemented under the Montreal Protocol (MP) and a traditional technical cooperation project. The examinations were performed in accordance with generally accepted auditing standards, in conformity with international standards, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Furthermore, I carried out reviews under Financial Regulation 11.4. These reviews primarily concerned the economy, efficiency and effectiveness of the financial procedures and internal financial controls and, in general, the administration and management of the Organization.

3. My audit opinion on the statements showing the status of funds advanced to UNIDO by UNDP as at 31 December 2001 has already been forwarded, as requested, to the UNDP.

4. In parts II and III of this report, I comment on the overall financial situation of the Organization, showing both positive aspects, as well as those requiring improvement. The other parts of the report contain the most important findings of our audit work – including performance audits – where, in my view, there is room for further improvement and/or which might be of interest for Member States. These are contained in parts IV to VI of the report.

II. Implementation of the Regular Budget and Technical Cooperation Delivery

A. Implementation of the regular budget

5. Table 1 shows the revised appropriations, the total expenditure and the resulting unutilized/unencumbered balances of appropriations (net) at the end of the second year of the biennium for the bienniums 1990-1991 to 2000-2001:

Table 1: Implementation of the Regular Budget - unutilized/unencumbered balances of appropriations
(in thousands of United States dollars)

	Revised appropriations	Total expenditure	Unutilized/unencumbered balances of appropriations	
1990-1991	173,217.2	171,161.5	2,055.7	1.2%
1992-1993	202,500.1	191,416.6	11,083.5	5.5%
1994-1995	231,441.1	204,388.0	27,053.1	11.7%
1996-1997	203,762.2	164,388.7	39,373.5	19.3%
1998-1999	131,780.6	120,841.9	10,938.7	8.3%
2000-2001	116,954.3	112,706.1	4,248.2	3.6%

Source: Financial Statements, Statement IV and Schedule 4.1

The unencumbered balances have distinctly dropped in the last two bienniums.

6. The unencumbered balances of appropriations have distinctly dropped in the last two bienniums, after having reached relatively high rates in the bienniums between 1994 and 1997, and now amount to 3.6% only.

The reason is a higher collection rate of current year's contributions and against arrears

7. In 2001, this resulted, inter alia, from higher collection of current year's contributions as well as from collections against arrears. The decrease of the unencumbered balances of appropriations should also be interpreted as an indicator of a better implementation of the programmes as mandated by the governing bodies.

8. However, in accordance with the General Conference decisions, the appropriations are required to be restated by applying certain adjustments due to exchange rate differences. After applying this, Table 2 shows the cash actually available, which provides a clearer picture:

Table 2: Implementation of the Regular Budget - modified unutilized/unencumbered balances of appropriations
(in thousands of United States dollars)

	Revised appropriations	Adjustments	Available cash	Total expenditure	Unutilized/unencumbered balances of appropriations	
1990-1991	173,217.2	1,524.3	174,741.5	171,161.5	3,580.0	2.0%
1992-1993	202,500.1	-9,340.7	193,159.4	191,416.6	1,742.8	0.9%
1994-1995	231,441.1	-41,676.9	189,764.2	204,388.0	-14,623.8	-7.7%
1996-1997	203,762.2	-18,373.2	185,389.0	164,388.7	21,000.3	11.3%
1998-1999	131,780.6	-4,578.1	127,202.5	120,841.9	6,360.6	5.0%
2000-2001	116,954.3	5,635.2	122,589.5	112,706.1	9,883.4	8.1%

Source: Financial Statements, Statement IV and Schedule 4.1

Management was sufficiently successful in steering the utilization of the appropriations of the Regular Budget.

9. In the biennium 1994-1995, expenditures exceeded the cash available. This was mainly due to the delay in collection of contributions from one Member State that left the Organization in 1996 and did not fully pay its contributions for 1994-1995. Afterwards, the cash situation could be considered as stable so that the unencumbered balance of appropriations dropped to US$ 6.4 million (5%) in the 1998-1999 biennium. However, during the biennium under review, the unutilized/unencumbered balances of appropriations amounted to US$ 9.9 million (8.1%). This increase is due to less cash being available during the biennium, resulting in reduced total expenditures. At first glance, this appears to be an increase of unencumbered balances of appropriations of more than 50%.

The actual picture is much more favourable for UNIDO, because the increase is due to the fact that a major contributor delayed a considerable part of the payment of its contribution until mid-December; thus the money could not be fully spent. The budget was, however, financed by the better collection of assessed contributions both against the current year and arrears.

B. Technical cooperation delivery

10. Table 3 shows the estimated delivery, the total expenditure and the relation between these two figures at the end of the second year of the biennium for the bienniums 1990-1991 to 2000-2001:

Table 3: Technical Cooperation Delivery
(in thousands of United States dollars)

	1990/91			1992/93		
	Estimated delivery	Total expenditure	%	Estimated delivery	Total expenditure	%
UNDP and interorganization arrangements	166,000	195,508	118%	246,000	130,837	53%
Industrial Development Fund	65,000	62,557	96%	80,000	62,102	78%
Montreal Protocol					764	
Regular Programme	10,393	10,273	99%	12,150	12,134	100%
Trust Funds and others	61,000	63,123	103%	100,000	70,927	71%
Total	302,393	331,461	110%	438,150	276,764	63%

	1994/95			1996/97		
	Estimated delivery	Total expenditure	%	Estimated delivery	Total expenditure	%
UNDP and interorganization arrangements	74,000	70,640	95%	33,000	59,652	181%
Industrial Development Fund	77,000	58,057	75%	60,000	48,078	80%
Montreal Protocol		21,370		110,000	61,054	56%
Regular Programme	13,886	12,549	90%	12,226	10,285	84%
Trust Funds and others	103,500	66,222	64%	39,000	29,264	75%
Total	268,386	228,838	85%	254,226	208,333	82%

	1998/99			2000/01		
	Estimated delivery	Total expenditure	%	Estimated delivery	Total expenditure	%
UNDP and interorganization arrangements	64,800	34,586	53%	31,600	21,829	69%
Industrial Development Fund	55,000	41,372	75%	68,400	43,490	64%
Montreal Protocol	55,000	77,569	141%	63,000	66,141	105%
Regular Programme	7,907	7,513	95%	7,995	7,010	88%
Trust Funds and others	53,000	21,806	41%	55,000	33,722	61%
Total	235,707	182,846	78%	225,995	172,192	76%

Sources: Budget, Financial Statements, Annex II, tables 1 and 3. The estimated delivery for the Regular Programme of Technical Cooperation was calculated at 6% of the revised appropriations (net).

Technical Cooperation expenditure has continually decreased in the last decade.

11. I must reiterate my last biennium's assessment that since 1990 UNIDO has been suffering from a continual drastic decrease in technical cooperation delivery. The total reduction of expenditure amounts to about US$ 160 million from the end of 1991 up to the end of 2001, representing a decrease of nearly 50%. In my last report, I stated that the estimates for voluntary contributions were too optimistic and recommended to place more emphasis on the implementation of ongoing programmes, instead of binding manpower in the development of new ones.

The biennium under review seems to be a turning point in the implementation rate.

12. The biennium under review seems to be a turn for the better. Although the delivery rate is still low (76%) I am pleased to note that in the first year of the biennium, expenditure was some US$ 78 million (including support costs), whereas in the second year they rose to some US$ 95 million. This can be the turning point, which is demonstrated by the 2001 delivery that was 85% of the estimated delivery as compared to only 69% in 2000.

In the first quarter of 2002 this trend continues.

13. This trend continues in the first quarter of the biennium 2002-2003, where UNIDO is trying to bring delivery and expectations closer to each other. Therefore, UNIDO has reduced the estimated delivery to the more realistic figure of €223 million (including support costs).

It is expected that the target would be largely achieved.

14. In the current biennium management expects a delivery rate of more than 90%. The trend for the expenditures during the first quarter of 2002 shows that this target is achievable.

III. Financial Situation

A. General Fund

15. Since the 1998-1999 biennium, UNIDO has adopted a new policy of establishing a provision for delays in the collection of contributions. To avoid a distorted picture, the accounts of assessed contributions receivable and the provision for delays from Member States have been adjusted by the amounts due from a Member State that left the Organization in 1996.

Table 4: Statement of income and expenditure (adjusted)
(in thousands of United States dollars)

	1998-1999*	2000-2001	Balance
TOTAL INCOME	161,143.9	140,035.3	-21,108.6
TOTAL EXPENDITURE	151,053.4	134,590.8	-16,462.6
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	**10,090.5**	**5,444.5**	-4,646.0
Prior biennium adjustments	2,115.8	-705.4	-2,821.2
Savings on or cancellation of obligations from prior biennium	1,824.2	3,348.5	1,524.3
Change of provisions for delays in the collection of contributions	-8,081.5	-4,493.8	3,587.7
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	**5,949.0**	**3,593.8**	-2,355.2
Balance of transfers to/from reserves	-10,264.6	202.0	10,466.6
Credits to Member States	-621.7	-12,533.8	-11,912.1
Reserves and fund balances, beginning of biennium	19,398.3	14,461.0	-4,937.3
RESERVES AND FUND BALANCES, END OF BIENNIUM	**14,461.0**	**5,723.0**	-8,738.0

* adjusted

Source: Financial Statements, Statement I

The statement of income shows a drop of income by some US$ 20 million.

16. After a decrease in income in the previous biennium of about US$ 40 million, the statement of income and expenditure (table 4) again shows a drop of income by some US$ 20 million. This decrease mainly results from restating the appropriations by taking into account the exchange rate actually experienced during the biennium (note 2.(a)(i) of the financial statements refers). However, as total expenditures decreased less than income, the excess of income over expenditure has dropped by only US$ 4.6 million.

Reserves and fund balances decreased.

The reserves and fund balances at the end of the biennium dropped by US$ 8,738.0 thousand to a total of US$ 5,723.0 thousand accordingly.

Table 5: Statement of assets and liabilities (adjusted)
(in thousands of United States dollars)

	31.12.1999*	31.12.2001	Balance
Assets			
Cash and term deposits	12,900.2	16,321.2	3,421.0
Assessed contributions receivable from Member States	42,926.2	37,244.5	-5,681.7
Provision for delays in the collection of contributions	-24,724.0	-29,217.8	-4,493.8
Interfund balance & other assets	7,724.6	8,837.0	1,112.4
Total assets	**38,827.0**	**33,184.9**	**-5,642.1**
Total liabilities	**24,366.0**	**27,461.9**	**3,095.9**
Reserves and fund balances			
Other reserves & working capital fund	11,936.0	11,660.3	-275.7
Surplus (deficit)	2,525.0	-5,937.3	-8,462.3
TOTAL RESERVES AND FUNDS BALANCES	**14,461.0**	**5,723.0**	**-8,738.0**
TOTAL LIABILITIES; RESERVES AND FUND BALANCES	**38,827.0**	**33,184.9**	**-5,642.1**

* adjusted

Source: Financial Statements, Statement II

Assets have slightly decreased. There was a better collection rate of current year's contributions.

17. The statement of assets and liabilities (table 5) shows the decrease in assets at the end of the biennium 2000-2001. Both the assessed contributions receivable from Member States and the provision for delays in the collection of contributions have decreased at about the same level. The reasons for that are the better collection rate of assessed contributions for the current year on one hand, on the other hand a material and higher increase of older outstanding contributions.

Table 6: Ageing analysis of the assessed contributions
(in thousands of United States dollars)

	31.12.1999*	31.12.2001	Difference	
Older than 4 years	12,735.9	20,967.3	8,231.4	64.6%
Older than 2 years, younger than 4 years	12,040.1	8,255.9	-3,784.2	-31.4%
Younger than 2 years	18,150.2	8,021.3	-10,128.9	-55.8%
Total	42,926.2	37,244.5	-5,681.7	-13.2%

* adjusted

Source: Information from Financial Services; Financial Statements, Schedule 2.1

Contributions receivable older than 4 years have increased, but the collection of younger ones was excellent.

18. My staff made an analysis of the ageing of assessed contributions receivable (table 6). It shows that the increase is mainly found in the receivables older than 4 years (+64.6%), whereas the collection of younger receivables was excellent.

Payment plan has already been signed for a major debtor.

19. Measures for the improvement concerning the collection of old receivables have been taken, e.g. the increase of some US$ 8 million in old receivables is due to a limited number of Member States. One has signed a payment plan approved by the General Conference (GC.9/Dec.12); others have expressed an interest in such payment plans also.

B. Technical cooperation funds

Table 7 provides an analysis of the development of the funds reserved for technical cooperation activities. As performance indicator I chose the total expenditure per biennium.

Table 7: Technical Cooperation activities - total expenditure
(in thousands of United States dollars)

	1990/91	1992/93	1994/95	1996/97	1998/99	2000/01
UNDP and interorganization arrangements	195,508	130,837	70,640	59,652	34,586	21,829
IDF	62,557	62,102	58,057	48,078	41,372	43,490
Montreal Protocol		764	21,370	61,054	77,569	66,141
Regular Programme	10,273	12,134	12,549	10,285	7,513	7,010
Trust Funds and others	63,123	70,927	66,222	29,264	21,806	33,722
Total	331,461	276,764	228,838	208,333	182,846	172,192

Source: Financial Statements, Annex II, table 1

From 1990-1991 to 2000-2001, total technical cooperation delivery decreased by nearly 50% due to a reduction in UNDP funding.

20. The decrease in technical cooperation activities during the last decade is obvious; it is mainly due to the reduction of funding by UNDP. The decline is moderated by the considerable increase of Montreal Protocol activities, which will continue in the near future. A possible phasing out of those projects in several years will, as management expects, be compensated by an increase in projects for the Global Environmental Facility (GEF). UNIDO has already been accepted by GEF as an executing agency. In the year 2001 UNIDO received US$ 6.5 million that are being implemented. The technical cooperation delivery of projects under GEF is expected to play an increasing role in UNIDO's activities.

New activities under GEF give an optimistic perspective.

Taking into account the new medium-term programme framework, approved by the General Conference (GC.9/Res.2) and new initiatives being planned, UNIDO's activities will lead to an enhancement of its technical cooperation activities, which would be most welcomed.

C. Special Account for Programme Support

21. The special account for programme support contains the reimbursements of the costs for programme support and administrative services for the preparation and implementation of projects and other activities which are provided by the various units of UNIDO. The following table shows the development of the special account for programme support.

Table 8: Special account for programme support
(in United States dollars)

	1990/1991	1992/1993	1994/1995	1996/1997	1998/1999	2000/2001
Income	40,283,700	32,420,870	26,639,864	25,342,579	21,782,925	18,651,992
Expenditure	41,727,085	40,293,157	24,955,000	25,054,337	24,391,733	17,289,535
Net excess of income over expenditure	-1,443,385	-7,872,287	1,684,864	288,242	-2,608,808	1,362,457
Fund balance brought forward	5,902,312	4,225,049	-3,647,238	3,541,816	4,225,261	1,616,453
Transfer to reserves	-378,465	0	0		0	0
Transfer from reserves	144,587	0	5,504,190	395,203	0	0
Net excess of income over expenditure	-1,443,385	-7,872,287	1,684,864	288,242	-2,608,808	1,362,457
Fund balance	4,225,049	-3,647,238	3,541,816	4,225,261	1,616,453	2,978,910

Sources: Financial Statements, Statement VI (1990-1993) and note 3 (1994-2001)

After having reached a low level the Special Account for Programme Support has stabilized, which seems to be sufficient.

22. In my last report I stated that the Special Account for Programme Support had reached a dangerously low level. This development was due to the decline of voluntary contributions. Although the reduction of these contributions continued, the fund balance has stabilized due to a parallel reduction of expenditure on the part of UNIDO for programme support and higher implementation during 2001. The fund balance/reserve as at 31 December 2001 seems to be sufficient, taking into account the current level of technical cooperation activities, to protect the Organization against unforeseen shortfalls in delivery, support cost income, etc.

D. Liquidity

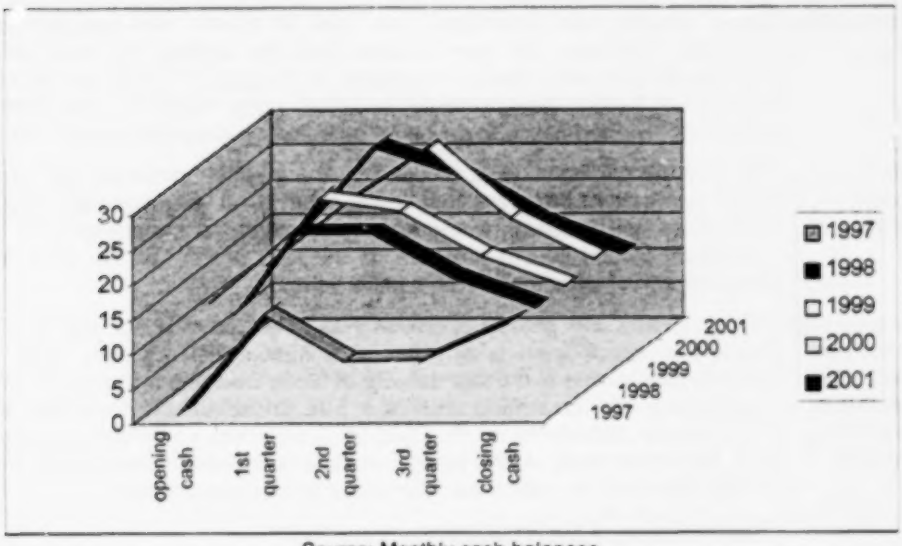
UNIDO has faced severe liquidity

23. For several years during my audit term of eight years UNIDO has faced severe liquidity problems. Management had to react to this situation by an unprecedented

problems in the past.

downsizing exercise and sharp cost-cutting in all parts of the Organization. The financial situation was critical several times.

Table 9: Cash Flow 1997-2001
(in millions of United States dollars)



Source: Monthly cash balances

UNIDO's financial situation has become stable in the last two bienniums.

24. Table 9 shows that the last major problems, which occurred in 1997 (and the years before) when the opening balances as well as the income were very low and instable, have been overcome. Since 1998 opening balances, cash in- and outflows and closing balances are on a comparable and reasonable level. No financial problems are expected for the current biennium. UNIDO has achieved financial stability for the smooth implementation of its programmes.

IV. Budgeting, Accounting and Financial Reporting Procedures

A. New financial system, preparation and audit of financial statements

UNIDO implemented a new accounting system.

25. One of the biggest challenges for UNIDO's financial management in 2000-2001 was the implementation of the new Financial Performance Control System (FPCS). My staff has been regularly involved in the process (Audit Report for the biennium 1998-1999 (IDB.23/3), paragraph 77 refers).

The pressure UNIDO put on the Financial Services Branch to implement the new system led to some shortcomings, however, on the positive side, also to an overall shorter implementation period and comparatively lower cost.

26. The FPCS is an adaptation of a commercial software package called "Agresso". The package in a smaller scale has been implemented in the International Atomic Energy Agency. However, UNIDO followed quite a different implementation approach by undertaking this major challenge with its own limited human resources, whereas the usual trend is to rely heavily on external resources and consultants. This approach put an additional tremendous pressure on UNIDO's Financial Services Branch (FIN) with the result of certain shortcomings on the side of conceptual project management; however this approach resulted in a considerably shorter development and implementation period as well as considerable savings - the total implementation costs of the FPCS amounted to about US$ 1.7 million. According to management's opinion this compares favourably with the time taken by other organizations with similar projects as well as with the financial resources used by other organizations, which were much higher.

Parallel run of two systems

FPCS had been intended to be the main system as from 1 January 2001, the mainframe to be kept as shadow system for three months.

27. Implementation of the FPCS started in late summer of 2000, and a basic accounting system was in place by December 2000. At that time, UNIDO decided to use the FPCS as the primary accounting system to process all accounting transactions in 2001, whereas the mainframe was intended to be used as a shadow system until 31 March 2001. The parallel run of both systems for at least three months was imperative, inter alia, to confirm the accuracy of the new solution, fine-tune the new system, test the system for euro requirements, familiarize staff with modern information technology (IT) tools and to capture data for which further developments in FPCS were required. This included funds checking, support cost calculation for technical cooperation activities and reports.

Booking in two systems placed pressure on the staff.

28. For the additional work required by the parallel operation, two former clerical staff members of FIN were temporarily hired. However, even with these additional resources, the transition to the new system and the requirements of the parallel operation placed severe pressure on the staff of FIN, as the work required the involvement of other staff in the parallel input.

Parallel operation was extended to the end of 2001. Finally, the financial statements were prepared using the old mainframe system.

29. Gradually, the parallel operation was extended until the end of 2001. These decisions, which were taken after consultation with my staff, were necessary, among others, due to the late delivery of funds checking and support cost modules by Agresso and the staffing situation in FIN. Consequently, it was also decided that the financial statements for the 2000-2001 biennium would also be prepared using the mainframe data, as the system already contained information for the first year of the biennium as well as the information on the support cost.

Reconciliation of the two systems

From early 2001 my staff recommended to give highest priority to a continuing reconciliation.

30. In March 2001, my team reviewed the status of reconciliation between the two accounting systems. Since the reconciliation of the February 2001 accounts had not been completed, I recommended giving highest priority to this task. Management replied that a full reconciliation had not been possible due to the non-availability of the opening balances from the closing of the year 2000 accounts, the involvement of the limited FIN staff in closing the year 2000 accounts, as well as the initial difficulties with the new system, which are expected in such a major undertaking. My team was informed that despite these difficulties, FIN had reconciled the bank and investment accounts representing approximately 73% of UNIDO's total assets.

In April 2001, the mapping of the mainframe and the FPCS accounts did not fully match. This made reconciliation more difficult.

31. In April 2001, my team made an in-depth analysis of the mapping of the old mainframe accounts to the new FPCS accounts, which was used by FIN staff as a cross-reference tool for input into the two systems. I recommended that this mapping should be improved showing a link between each old and new account and that more resources should be devoted to the reconciliation of two systems.

In September, the mapping still was not satisfactory. Reconciliation was lacking due to staff shortage.

A reconciliation team was established upon our intervention.

32. During my team's visit in September 2001, it was found that the mapping of the accounts was still not fully completed to our satisfaction. Additionally, due to the well-known shortage of FIN staff, the necessary reconciliation was lacking. As a result of our intervention, and since a decision had been taken to extend the parallel run until December 2001 and that the financial statements were to be prepared using the mainframe system, management established a special temporary reconciliation team consisting of 10 persons. Furthermore, the regular staff of FIN was also involved in the reconciliation in addition to their daily work. Management also informed me that it was their intention to have all material general ledger accounts reconciled by mid-February 2002. I was also provided with several improvements to the mapping.

My staff supported reconciliation and improvements in mapping by a special audit.

Reconciliation finally was completed by the end of April 2002.

Remaining differences do not have a material effect on the financial statements.

33. My staff supported the reconciliation work to the extent possible. They also carried out a special audit in January 2002, immediately after the accounts of the biennium were closed, and provided assistance concerning the correction of the mapping of the new and old accounts. During this audit, my team found that several improvements had been made to the mapping of the accounts. This, however, was not done to the extent required by us, i.e. it was not possible to assign an FPCS account to each mainframe account and vice versa. Numerous accounts contained booking entries, which led to differing results between the old and the new system. Management stated that due to the conceptual differences between the two systems, a full mapping of the account codes was impossible. My team was provided with necessary explanations as to why the two systems cannot show identical entries; these differences, however have no material effect on the financial results.

Staffing constraints experienced during the implementation of the FPCS

Lack of staff, especially on the middle-management level, as consequence of excessive down-sizing in administrative offices of UNIDO was the biggest obstacle for the implementation of FPCS.

34. The approach chosen by UNIDO for the implementation process assumed that sufficient professional staff time would be available during the entire duration of the project. However, the staffing situation in FIN imposed a serious limitation on the availability of professional capacity. Due to the fact that the middle-management level (P-5 and deputy) was completely abolished in FIN, the Director of the Financial Services Branch, inter alia, had to assume the additional responsibilities relating to Accounts and Payments, Treasury, issues relating to the transition to the euro, as well as the implementation of the FPCS. One reason for this has been the constant pressure on UNIDO to downsize staff in non-technical areas, in particular in Administration. That was done excessively. The benefits of the new FPCS in terms of personnel cost savings were thus taken in advance, before the system was actually available.

An expert, provided by a donor country, was redeployed without a visible rationale.

35. In September 2000, a donor country provided an expert to assist UNIDO in the FPCS project, who was given the tasks related to the organizational and coordination aspects of the implementation process. This expert was, however, redeployed effective February 2002 to another office in UNIDO; the rationale of this decision is unclear. In my view, the expert could have made a useful contribution to further developments required in the system.

A new finance officer left the Organization after half a year leaving behind a situation where no staff was trained to do this job.

36. In November 2000, a finance officer was recruited, who was given the task to prepare the financial statements for 2000 with the assistance of the former Chief of the Accounts and Payments Section, who had been terminated before "in the interest of the Organization". The finance officer was supposed to gradually take full responsibility over the area of accounts, carry out reconciliation between the two systems and prepare the financial statements for the biennium 2000-2001. However, the newly recruited staff member unexpectedly left UNIDO and joined another UN organization in June 2001. A replacement could only come on board in mid-October 2001, who again required necessary training.

Effective May and June – too late for FPCS implementation – three professionals are recruited to strengthen FIN.

37. In view of my repeated concerns on the staffing situation in FIN, management has now taken action to recruit three additional junior professional staff members, who would be joining FIN during May and June 2002. We appreciate management's efforts to strengthen FIN, however, from the perspective of introducing the new financial system, these measures were implemented far too late.

IT experts within UNIDO were not involved in the implementation of FPCS.

38. The staff shortage in FIN for the implementation of FPCS would have been somewhat compensated had the then Management Information Service (MIS – now ICT) been involved to a greater extent from the very beginning of the project. This would have served a dual purpose, namely providing additional capacity for system implementation and giving an opportunity for the ICT staff to familiarize themselves with the new technology.

The reason was that in the initial phase it

39. Management expressed its belief that, at the initial phase of the implementation of the FPCS, it was important that the requirements come directly from FIN, the

was more important that FIN formulate its requirements concerning the new software than to have programming skills. Meanwhile ICT is involved in the project.

main user of the system, who was also in a position to make decisions to take full advantages offered by the commercial software. Since the exercise involved the modification of procedures and the determination of desired functionality, the knowledge of financial operations was more important than the software development skills. Such an approach was key to speedy and cost-effective implementation of the system. Management, however, agreed that the ICT staff should become familiar with the new technology; thus they were involved in the migration of data from the mainframe system into the FPCS, developing the reports and in fine-tuning the system during 2001. FIN and ICT were now working together on this project.

Basis for the Financial Statements for the 2000-2001 biennium

My staff expressed their concern with regard to the reliability of financial data in the shadow system mainframe.

40. As mentioned above, in August 2001, my staff reiterated their concern with regard to reliable financial data as the basis for financial statements, as management intended to prepare the financial statements for the 2000-2001 biennium using the mainframe system. As FPCS will be the only financial system of UNIDO available from the beginning of 2002 onwards, the reliability of the new system could only be proven during the parallel run in 2001. Consequently reconciliation between the two systems was indispensable.

Complete reconciliation was considered absolutely necessary.

41. My staff also expressed concern as to whether the necessary reconciliation workload could be finished in the short period of time remaining up to the preparation of the financial statements. They, therefore, strongly recommended UNIDO to strengthen the reconciliation activities.

Management reacted, inter alia, by engaging temporary staff and completed reconciliation by the end of April 2002 only.

42. As mentioned under the reconciliation, management took steps to strengthen the reconciliation team by engaging several temporary staff, including the former Chief of Accounts and Payments Section. Furthermore, FIN staff, in addition to other tasks, was heavily involved in the process. I am pleased to note that by the end of April 2002 with these efforts, the task had been completed and all material accounts had been fully reconciled.

Audit of the financial statements

The mainframe data proved to be accurate in all material aspects.

43. The financial statements are based on the mainframe data, as has been done in the past. Reconciliation has also shown that the data in the mainframe has been accurate in all material respects. Most adjustments/corrections considered necessary were to be made in the FPCS.

A complete check of all cash accounts and bank statements and a comprehensive sample check was necessary for my audit opinion.

44. For my audit opinion, the crucial question was whether the cash could be reconciled between the mainframe and FPCS accounts, with the bank statements and the complete set of independent bank confirmations requested by my staff directly from the banks, which hold UNIDO accounts. Secondly, we checked whether the entries in the mainframe had been done properly, i.e. we tried to identify double payments or payments against the wrong accounts.

According to our experience a large number of corrections were done on the mainframe in past bienniums.

45. The importance of a proper evaluation may be concluded from previous years' experience, when the mainframe system was the primary accounting system and the "four-eyes-principle" was still in force. At that time, a number of corrections were needed to remedy over obligations, over liquidations, and double payments as well as charges against the wrong year, the wrong account or the wrong allotment account code.

In a sample check we chose 328 vouchers out of a total of 135,767.

46. For the 2001 audit, my staff had to consider 135,767 booking entries in the general ledger. They did this in a mathematical-statistical sample check according to generally accepted auditing standards. The audit software "Idea" used for this purpose calculated a necessary check of 328 vouchers for a comprehensive review.

My staff did not identify material booking errors.

47. Our checking did not disclose any material booking errors. One reason for this was that all transactions, which were initiated in FPCS, were thoroughly checked and carefully coded before re-entering them into the mainframe; possible errors in the mainframe were thus corrected during this process.

The four errors we found were related to obligations and did not have an effect on the financial statements.

48. During this test checking, we came across four cases of expenditures exceeding obligations. This is due to the fact that the FPCS obligation system was not properly working during the first few months of 2001. Obligations therefore had to be treated separately. However, in all cases the disbursements were recorded in the biennium and the obligation no longer existed at the end of the biennium. Thus the above has no effect on the financial statements.

Reconciliation after closure of the accounts revealed the need for some immaterial corrections of the financial statements.

49. In view of the tight schedule for the preparation of the financial statements and the time constraints, three small items with a net amount of US$ 1,072 that have been reconciled could not be reflected in the financial statements. These adjustments are shown in the notes to financial statements [refer to note 2.(u)]. Necessary adjustments will now be made by UNIDO in 2002. It should be noted that these adjustments have no material effect on the financial statements. As stated in note 2.(u), all other adjustments resulting from the reconciliation have been included in the financial statements and no further reconciliation is required.

My checks allow me to express a clear audit opinion.

50. The sample check with a probability of more than 95 per cent shows that there are no material errors in UNIDO's accounting. Furthermore, this is supported by other checks carried out by my staff during their audits in 2000, 2001 and 2002. Additionally, the cash accounts were fully checked and reconciled without any material discrepancy. Based on this, I am able to express a clear audit opinion on the financial statements for the biennium 2000-2001.

B. Personnel matters

Women in the Secretariat

The female representation at the senior level is still unsatisfactory.

51. Already in the past we had observed a noticeable disparity in the representation of men and women at UNIDO at the senior level (e.g. report of the External Auditor for the biennium 1992-1993, IDB.13/7, para. 37, report of the External Auditor for the biennium 1996-1997, IDB.20/3, paras. 191-198, report of the External Auditor for the biennium 1998-1999, IDB.23/3, para. 99). The Director-General also expressed his concern and assured that in future recruitment and reorganization close attention to that issue would be paid (IDB.20/10, para. 39).

Relating to the biennium under review we observed:

Table 10: Composition of Headquarters staff of the UNIDO Secretariat

Year	Grade	Male	%	Female	%
31 Dec. 2000	P-5 to D-2	89	89	11	11
	P-2/1 to P-4	99	72	39	28
	General Service	128	37	216	63
31 Dec. 2001	P-5 to D-2	83	87	12	13
	P-2/1 to P-4	99	71	40	29
	General Service	127	38	208	62

Source: Annual Report 2001, p. 106, Annual Report 2000, p. 95

Table 11: Composition of staff in posts subject to geographical distribution

Year	Grade	Male	%	Female	%	% as at 31 Dec. 1996
31 Dec. 2000	P-5 to D-2	78	88	11	12	
	P-2/1 to P-4	95	72	37	28	
31 Dec. 2001	P-5 to D-2	74	87	11	13	12.5
	P-2/1 to P-4	94	72	36	28	
	Total	168	78	47	22	23.1

Source: Annual Report 2001, p. 106, Annual Report 2000, p. 95

Representation of female Professional staff has improved from May 2001 to the date of this report.

52. Although I am pleased to observe that, as at 31 December 2001, three women occupied posts at the decision-making level D-1 (none at the end of the year 1996), the tables reveal that the overall picture has not changed since 1996. However, I was informed that from May 2001 to the date of this report, 20 staff members were recruited at the P-3 and P-4 levels, out of which eight were women, who were from Africa and Asia and Pacific States. Notwithstanding these actions, which show that the Organization is making considerable efforts to improve both gender balance and geographical representation in the Secretariat, the targets established by the policy-making organs and referred to in my previous reports are still not achieved. Although the action being taken is a step in the right direction, efforts must continue to further improve the situation. It has to be conceded that in a situation where the number of staff is rather static and where some activities require specialized skills, rapid change is not easy. Nevertheless, in view of a labour market not so limited as in the past, the Secretariat should intensively look for ways to improve the situation.

V. Technical Cooperation Activities

A. Field audits

In a field audit, we examined two projects in one developing country.

53. As part of our general review of UNIDO's technical cooperation activities we examined two different types of projects in one developing country.

54. The first project was implemented under the Montreal Protocol and managed by UNIDO as an umbrella project (project No. 1, refer to paras. 75-88). It covered the conversion of six refrigerator plants (phasing out ODS).

55. The second project, a traditional technical cooperation project, had the subject of comprehensive assistance to a private sector lady's shoe factory (project No. 2, refer to paras. 89-91).

56. Our examinations included reviews of the project documents relating to project design, project implementation and project evaluation. A matter of specific interest was the hiring of contractual services and the purchase of equipment.

57. Discussions were held with several recipients, staff of the relevant national institutions as well as the UNIDO Regional Representative and a Junior Professional Officer.

B. Overall aspects

Subcontracting

Subcontracting should be given more emphasis in technical cooperation projects.

58. To assign a private sector general contractor for the implementation of projects offers several advantages for UNIDO, e.g.:

- Terms of Reference for only one contractor, selection of the best offer in only one instance, instead of several actions relating to each individual input (supply of equipment, contracting consultancy services, recruiting experts)
- No need for a number of technical evaluations in bidding processes or services rendered by experts
- Reduction of travel
- Less administrative work for monitoring implementation activities at Headquarters (HQ) and the field
- Less administrative work for the budgetary control of the project funds.

Under the aspect of business management, this approach seems to be a profitable partnership.

59. With respect to the portfolio of projects to be implemented and the limited staff resources in the Montreal Protocol Branch, the assignment of a subcontractor could also be a way to circumvent the current tight staffing situation. However, it has to be questioned which is the value added input and which aspects do show

the high technical competence of UNIDO in these projects. Furthermore, the subcontractor as a commercial entity will charge UNIDO with a management fee and it also has to be presumed that the interest of the developing country will by nature not be the only item on his agenda. Management confirmed that this issue has been under frequent discussion. It prefers backstopping projects by UNIDO staff having a technical background than to hand over this activity to a consulting company. Besides, negative experiences had been made.

60. In my opinion, not all these arguments are valid for refraining from a subcontracting approach. For example, the failure of a specific subcontractor, which is still disputed, should not be generalized. There are other subcontractors who did their job successfully (refer to paras. 55, 89-91). Besides, not all subcontractors necessarily have to be generalists; we have been informed that a number of companies with technical competence at least in one field of action would be ready to take over such assignments. Subcontracting does not always automatically imply higher cost.

61. Nevertheless, I agree that subcontracting might not be in all cases the most effective way of implementation. Decisions should be made in due consideration of the individual situation of the recipient(s), the problems to be solved, the interventions required and the workload within the Montreal Protocol Branch.

Establishing a non-project-specific fund

A non-project-specific fund could enhance project design and project evaluation.

62. On the basis of the examination mentioned above as well as previous reviews of UNIDO-implemented projects in different developing countries, my staff suggested the Organization might consider to establish a non-project-specific fund for preparatory activities during the phase of project design and for monitoring and evaluation by utilizing the overhead administrative costs. Although both types of activities are essential for an optimal project design and subsequently for project quality as well as project impact, normally there are no budgets to which these activities can be charged to. Consequently extensive preparatory work cannot be carried out and no ex-post in-depth evaluations are conducted. My staff had also noted, that, although a budgetary allocation for evaluation of ongoing programmes/projects should be an integral part of the project budget, this principle is not always adhered to. Management agreed that the realization of the proposal could enhance the accountability and learning function of evaluation. This would be especially useful for ex-post evaluations. Should additional funding be provided by the Montreal Protocol (MP) and other donors, UNIDO would be prepared to carry out such additional activities.

Package deals with suppliers

Costs of standardized supplies could be reduced by making package deals.

63. My staff suggested considering whether it is feasible to make package deals with suppliers for equipment to be delivered within the Montreal Protocol. Thus, if projects are not handled separately or individually a strategic approach could give UNIDO a negotiating advantage in procurement and contracting (economies of scale). The renegotiation of offers in a particular case revealed that the suppliers' calculation of prices allowed a substantial reduction even without making a package deal. Thus, in my opinion, some scope for reducing equipment costs has to be assumed in case this approach is applied.

64. Management replied that this would be an interesting idea; however it was mentioned that UNIDO's current Financial Regulations do not allow the Organization to enter into a long-term relationship in order to obtain more favourable conditions. Those Regulations would dictate that the evaluation of each contract should be based on international bidding and follow the criteria of technical acceptability and lowest price. Nonetheless, it will examine the feasibility of the concept. However, operational requirements, which vary from project to project and may make a standardized package difficult to realize, would have to be borne in mind. Such package deals for standardized items can be more easily implemented at HQ, which is being done.

65. In my opinion, the criteria of technical acceptability, lowest price and international bidding process do not preclude the package deal approach. Besides, UNIDO's Financial Rule 109.19 (c) allows an exception to formal biddings when standardization of supplies or equipment is in question. **UNIDO should endeavour to enter into package deals when possible.**

Evaluation of offers

More aspects should be considered when offers are evaluated.

66. In my view, the least expensive, technically acceptable offers are not always those which have the lowest price. An important element to consider is also the performance of a supplier in the past, e.g. untimely delivery, delays on installation, defective parts, lack of adequate training, lack of reliability in use and non-availability of technical staff in case of emergency requests are factors which hamper implementation and a continuous production process. Poor performance in the past should be adequately reflected in the decision-making on new awards. In my view, it would be a misinterpretation of the rules and procedures to select a supplier based on a formally least costly technical acceptable offer, however being conscious that additional costs to the quotation submitted will probably arise or the equipment purchased will only warrant a limited lifetime.

67. Therefore, it was recommended to watch closely the performance of the suppliers and to make thorough evaluations, which have to be integrated into a database and to be used when evaluating new offers. Since the forms in use do not deliver much transparency, some improvements are required (e.g. precise performance indicators, measurable outputs, timeliness, provision of handbooks, information in the local language). A more rigorous evaluation would comprise also information by project counterparts.

68. A further point should be taken for further consideration. Some recipients are interested to be supplied with high-quality equipment and are willing to pay an amount surpassing the least costly technically acceptable offer. Management regards this not to be in line with the existing procedures but would consider the recommendation. The problem could be addressed by subcontracting the project.

Socio-economic aspects in projects

Soft factors were insufficiently reflected in project design.

69. Some weaknesses identified in both projects' impact could be traced to insufficient consideration of socio-economic aspects of the developing country. Such "soft factors" that influence the success of projects are e.g. culture, religious principles and beliefs, traditional values, norms and attitudes, literacy, behaviour patterns. Although instructions on UNIDO's service management process describe the necessity of an in-depth assessment of the problem situation as well as the capabilities and constraints of all parties concerned, no analysis is foreseen as far as the above-mentioned implications are concerned. **In my view, projects should be in line with the reality of the local socio-economic conditions.** It seems obvious that there will be little gain in importing policies and methods that worked in completely different economies, cultures and social behaviour patterns without adjusting them.

Experts should be instructed on country-specific socio-economic aspects.

70. Aside from the fact that socio-economic aspects should be duly considered in the project design, relevant guidance and orientation on this issue should also be provided to international experts. Disregard of local socio-economic environment falls back on UNIDO, because it had selected and posted the experts.

71. The Organization had noted the recommendation; however, it was indicated that the MP projects must be prepared according to the guidelines of the Multilateral Fund (MLF), which do not take such issues into account. Further, MP projects deal with already established companies, for which changes to existing production lines are to be carried out in order to ensure proper conversion to ODS-free technologies. **In my view, the Multilateral Fund guidelines provide a schedule of "musts", but do not preclude the inclusion of "soft factors" which are essential for the implementation process and the impact of a project.**

Harmonization of donor procedures with respect to project budgets

The donor community should agree on standard procedures.

72. In the past we had recommended that UNIDO might discuss with the donor community whether some flexibility in the use of budget lines in project budgets could be agreed upon. This would reduce administrative workload, correspondence with the donors and therefore enhance project implementation. Our follow-up revealed that donors increasingly set and impose their own standard procedures, which implies additional workload for UNIDO's administrative units. With increasing decentralization on the side of several donors there is the tendency to worsen the situation. Different embassies apply different procedures and agreements. Some donors have recently changed well-established procedures, in general adding complexity to UNIDO's work.

73. In my view, the donor community should have due regard to those consequences for UNIDO and try to work in cooperation with UNIDO's standard agreements, reports etc.

74. In this context, I would like to mention that such an agreement, giving more flexibility to UNIDO, has been concluded with the Executive Committee of the Multilateral Fund for the implementation of the Montreal Protocol.

C. Observations relating to individual projects

Project No. 1 (refer to para. 54)

— Delays in project implementation

Project design should reflect anticipated delays.

75. Some delays were observed relating to delivery and installation of major equipment components. Furthermore, not all recipients proved the capability to deliver their contractual project inputs on time or they delayed progress by other means, e.g. one company hampered the installation of new equipment for almost one year.

76. We recognize that UNIDO often does not have direct control over all factors that are time-critical; nevertheless, based on past experiences, some delays can be anticipated. We recommended that UNIDO should try to give more attention to these aspects already in the stage of project design. A careful planning of project activities should be undertaken and alternative work plans on project activities should be considered. Moreover, sanctions should be foreseen and applied when project parties do not fulfil their duties.

77. The Organization agreed and mentioned that the practice in the last several years is to sign an Implementation Working Arrangement with the recipient companies outlining the obligations of each party involved. I welcome this practice; nevertheless **its full effectiveness will only turn out to be potent, when sanctions are definitely applied in order to prevent significant delays.**

— Control of supplies on project site

UNIDO should control on site whether supplies of sophisticated items are in line with contracts.

78. According to information provided by the enterprises, several equipment components did not meet the original specifications and requirements, failed to work as required or were not delivered completely. Recipients declared themselves not competent to inspect whether items of new technical standard are delivered in accordance with the contractual terms of reference. We therefore pointed out that project managers should display a sense of responsibility in inspecting and certifying the receipt of equipment on the project site.

— Provision of handbooks and manuals

Safety aspects should warrant that suppliers' handbooks and manuals are provided in local language of the recipient.

79. In view of the amount of investment involved and the aspect of safety, in my opinion the contracts with the suppliers for the conversion equipment should definitely demand that handbooks, manuals and even training have to be provided in domestic language and not in English language only.

Management confirmed that this is desirable; however in this project, due to shortage of funds, and the possible implications on prices quoted by suppliers, it may not be possible to translate all the documentation into the local language.

80. As mentioned before, an obligation to provide handbooks and manuals in the local language of the recipient should be transferred to the supplier of equipment; thus no separate funds are required for the translation work.

— Human resource problems faced by the Montreal Protocol Branch

UNIDO staff should not be engaged as consultants.

81. According to management's information the technical staff of the Montreal Protocol Branch is responsible for the formulation of a minimum of 60 projects and the implementation of approximately 560 ongoing projects per year. Due to this workload the Branch faces human resource problems. International consultants were assigned to overcome those difficulties.

82. Inconsistent with this is, in my view, the request of Managing Director, FOA, dated 11 June 2001, that project managers should charge projects with travel and salary costs related to their missions of up to one month per year, when they provide technical services similar to those provided by outside experts. Aside from the fact that it is debatable whether funds are to be used in this way, as long as staff resources are limited there is no room for hiring staff as experts.

— Evaluation of projects implemented under the Montreal Protocol

Only a small number of evaluations are executed by the Montreal Protocol Secretariat.

83. Management pointed out that the Multilateral Fund has established its own system for evaluations. The Executive Committee of the Montreal Protocol decided on the appointment of a Senior Evaluation Officer (SEO) within the premises of the Secretariat with the purpose to evaluate programmes at large as well as individual projects. The evaluation exercise is financed from separate funds that are provided by the MLF Secretariat (the SEO having his own budget). Should UNIDO be invited to participate in the evaluations of the MP Secretariat regarding projects implemented by UNIDO, appropriate financial arrangements would have to be clarified.

84. UNIDO does not carry out evaluations of MP projects on its own. In a statement to the External Auditor this was regarded as a duplication of efforts and inefficient use of resources. Furthermore, it would not be cost-effective, since there would be an intensive reporting system towards the MP Secretariat already in existence.

UNIDO should carry out evaluations on its own.

85. I do not share this view. With respect to the large portfolio of implemented individual projects under the Montreal Protocol and the limited number of evaluations executed by the SEO, UNIDO should not refrain from carrying out evaluations on its own. In my opinion there is quite a difference between a project-external evaluation – be it done by the SEO or by an independent evaluation within UNIDO – and project staff reporting on their own achievements, even when these reports are looked upon critically by the MP Secretariat. Moreover, the Executive Committee decided in its eighteenth meeting "to establish an independent review process which will periodically evaluate a small representative sample of completed projects from each agency to ensure that consistent and objective evaluation standards are being applied". In my understanding, this decision includes the existence of an evaluation system in each agency. Management afterwards agreed that UNIDO could consider a programme evaluation on the way the MP projects are implemented and on their synergy with the rest of UNIDO programmes.

86. This approach does not fully coincide with the expressed need. Nonetheless, I wish to stress that the principle of a budgetary allocation for evaluation as an integral part of the project design should also be applied for projects implemented under the Montreal Protocol. **It is suggested that UNIDO establish in interaction with the MP Secretariat a strategy on evaluation and its financing.**

— Assistance to economically non-viable companies

The assistance to economically non-viable enterprises is questioned.

87. I would like to present to the Member States an observation that does not primarily fall under the responsibility and the accountability of UNIDO but to those of the MP Secretariat. However, since UNIDO objected to reporting directly to this organization and since in my opinion this issue is of general interest, I take this opportunity to point out an uncomfortable situation. The project implemented under the MP assisted the conversion of the production of one company involving an investment of more than US$ 500,000. If working in an open market and not receiving subsidies, this enterprise would not have any chance to survive economically. Thus, the sustainability of the project achievements has to be questioned. My staff was informed that comparable situations happened in other countries, too.

88. I have some doubts on the relevance of investing high amounts through MP projects in such enterprises. These enterprises are not a motor for economic growth and moreover it is quite uncertain whether public subsidies will keep them in existence. Therefore, I recommend that the MP Secretariat and the implementing agencies should take into account such considerations before a project is approved and/or implemented.

Project No. 2 (refer to para. 55)

— Impact and sustainability of the project

89. The main focus of this traditional technical cooperation project's audit was to assess the project's impact and sustainability. Specific attention was also provided to the fact that an internationally reputable shoe manufacturer was subcontracted for the provision of complete technical assistance and know-how.

Subcontracting was good, nevertheless the project lacked sustainability.

90. We came to the conclusion that the project had several positive impacts; however, it failed to achieve all targets and, most important, lacked sustainability for various specified reasons. A central factor for this failure was insufficient assistance in the field of marketing, which in our view was of high importance. The overall performance of the subcontractor was good. We recommended including in similar future projects appropriate assistance related e.g. to market access, sales/export promotion, access and use of market information and price calculation in a market economy. A close cooperation with other organizations specialized in these fields, e.g. International Trade Centre (ITC) was also proposed.

— Other aspects

91. Other aspects identified for future improvements were:

- To refrain from assisting only a single company and to give preference to a cluster approach;
- To make contractual arrangements for a situation when the recipient fails to provide the required inputs and a lack of commitment becomes apparent.

Management agreed with the findings and the recommendations and indicated that the relevant unit had been aware of some points raised. Those would be reflected in the implementation of ongoing projects.

D. Fraud awareness

92. The following remarks do not imply an accusation of misconduct relating to any particular staff member. They should be seen in the context of incidents within the United Nations system that gave reason to audit whether UNIDO has adequate fraud awareness, i.e. policy and strategy on preventing, detecting and investigating undue actions.

The Organization did not always undertake sufficient efforts to clarify/remedy unsatisfactory issues.

93. My staff identified a number of points of weakness in the Organization's procedures, which need to be improved.

- A UNIDO employee who had rec ved a repatriation grant was five months later living in Vienna again. My staff regarded this as a potential case of windfall gains. UNIDO stated that the then decision had been formally correct - upon documentary evidence as given by a residence certificate; a monitoring on subsequent changes of residence in all cases would not be practicable. UNIDO did not consider a reclaim or an improvement of the respective staff rule.
- A number of consultancy contracts had been concluded without the required shortlist of at least three candidates. The Organization stated amongst others that the best candidate had been known in advance, based on the project manager's previous experience.
- Our routine request on cases of fraud or presumptive fraud led to negative information (refer to para. 120) although the then Office of Internal Oversight had done fraud-related investigations and had reported those.

94. My staff considered the aforementioned issues as unsatisfactory issues for which UNIDO did not undertake sufficient efforts to clarify/remedy them, or to reclaim the amounts. Accordingly they elaborated a number of recommendations relating to fraud prevention, fraud detection and fraud investigation.

UNIDO should implement a code of ethics and especially a staff rotation concept in areas which are by nature fraud-endangered.

95. Fraud prevention is a matter of mind. It involves being aware of how fraud can occur, in particular when, where, and how it is most likely to occur. My staff found that no written document or even guidelines exist for the staff relating to this matter. It should be recalled also that the Organization and its staff have a fiduciary responsibility. For example, when implementing projects for which funds were made available from Member States or third parties, it cannot be claimed that no undue actions take place, when there is an advantage for the Organization. **I recommended implementing a code of ethics.** In each organization where purchasing and contracting as well as recruitment of outside experts are a recurrent feature, fraud prevention has to be stressed, as these areas are particularly at risk. I noticed that within UNIDO, after having undergone several restructuring processes during the last years, a noticeable staff rotation has not taken place in all of the aforementioned sections. **I recommended implementing a staff rotation concept in fraud-endangered sections as one measure to preserve the Organization's integrity.** Management stated that a United Nations-wide code was being elaborated and when finalized would be issued.

UNIDO should improve the checks on consulting contracts and on behaviour in the field. The reporting system on allegations should be clarified.

96. Fraud detection contains a permanent reviewing process balanced to the increased delegation of financial authority to technical officers. Furthermore, the Organization runs extensive field operations, which has to be considered a risk factor. **I suggested exercising sufficient checks concerning the area of consulting contracts and establishing a warning system** and procedures for follow-up actions relating to indications of misconduct or undue behaviour **in the field.** Furthermore, there should be **clear procedures** for reporting allegations of fraud and corruption and how they have to be handled.

IOG should be strengthened with a qualified "Investigator".

Fraud-oriented investigations by IOG should be reported to the External Auditor.

97. Fraud investigation should be focused on the Internal Oversight Group (IOG). During the biennium under review the IOG was not adequately staffed to make proactive investigations in order to identify areas of risk. **IOG's staff should be brought in line with actual requirements and strengthened,** e.g. by training and/or recruiting a qualified "Investigator". Finally, **fraud-oriented investigations undertaken by IOG should be reported to the External Auditor as "cases of presumptive fraud"**, when reporting in respect to Annex II of the Financial Regulations.

Management agreed to the recommendations at large.

98. Management replied that all staff members of the Secretariat upon their recruitment subscribe the oath of office (Staff Regulation 1.8). Appropriate guidelines would be issued to the staff at large as well as the revised standards of conduct for the international civil service.

I recommend a follow-up for this area.

99. I recommend a **follow-up** to be set on this important area, especially covering the timely implementation of a job rotation concept in fraud-endangered sections.

VI. Administrative Issues

A. Stocktaking system

100. UNIDO shall establish detailed financial rules and procedures in order to ensure the effective custody of the assets of the Organization (Financial Regulation 9.1). Physical inventories shall be taken of supplies, equipment or other property of UNIDO or be entrusted to the charge of UNIDO at such intervals as deemed necessary to ensure adequate control over such property (Financial Rule 109.26). At UNIDO Field Offices the UNIDO Representative has to control and maintain records of non-expendable property and special items and has to send a copy of the inventory record once a year to Headquarters [FOA/AI.9 (No. 5)]. For technical cooperation projects the UNIDO Rresentative has to ensure stock-taking once a year [FOA/AI.9 (No. 6)].

Stocktaking at Headquarters needs to be improved.

101. My review showed that **stocktaking at Headquarters needs to be improved. It should be done at least once in the biennium, this being ensured by a formal rule.** Management agreed and informed me that the respective Administrative Instruction (FOA/AI.9) will soon be amended.

Responsibilities for stock-taking at Field Offices and for technical cooperation projects should be clarified.

102. Concerning Field Offices and technical cooperation projects, an adequate control of UNIDO on the inventories was not possible as the UNIDO Representatives sometimes did not meet their respective reporting duties. My staff requested management to safeguard the needed stocktaking activities as well as the returning of control lists to the logistics unit. Management explained that there would be clarification needed on the roles of HQ inventory unit, HQ project managers, HQ regional bureaux, UNIDO Field Offices and also UNDP offices where the latter provide administrative support. This work would be continued through the rest of 2002. **In my view a timely clarification of the issue and implementation of adequate procedures would be in the interest of the Organization.**

103. I was informed that no amounts were written off during the biennium 2000-2001. On specific request management informed me that information on write-offs for non-expendable and special property is only available for Headquarters. For technical cooperation projects detailed information on write-offs – i.e. number and amount – would only be possible as far as transfers to respective governments or institutions upon completion of project activities were documented. My audit team has, however, been informed that the respective documents in a number of cases have been pending for years.

More information on write-offs should be provided.

104. In my view **UNIDO should take the necessary steps to provide more information on the write-offs of losses of property** than has been presented in UNIDO's financial statements so far, e.g. items transferred to governments or institutions, items sold to third parties, items presumed to be lost or stolen and items considered obsolete.

B. Repayment of one Member State's voluntary contributions

One Member State requested the use of extrabudgetary resources to settle outstanding assessed contributions.

105. In 2001, one Member State requested the use of extrabudgetary resources to partially settle its outstanding assessed contributions, thereby regaining its voting rights. Although my staff confirmed that this transfer did not violate the Financial Regulations or Rules or the Trust Fund Agreement, they requested that the current wording be clarified.

I recommended to clarify the conditions for repayments.

106. I think that improvements in future Trust Fund Agreements are advisable in order to clarify the conditions under which repayments of voluntary contributions can be made and to avoid a distorted picture concerning UNIDO's Trust Fund activities. Being aware that funds in trust are donors' money, my team made

a concrete proposal for the wording of a relevant amendment with respect to the conditions under which repayments can be claimed and a project be terminated

Management basically agreed, however, did not take measures to the extent recommended.

107. Management appreciated the recommendation, stated however that the number of such cases was small. Most of the projects would start in time and would be completed as planned. However, management announced that efforts would continue to improve the Trust Fund Agreements. Recommendations made by my staff have not yet been fully implemented; however, we note that the necessary amendments to the notes to the financial statements have been elaborated on this point.

I reiterate my recommendation.

108. I welcome that management is willing to address this issue. There were indeed not many cases of repayment, but they exist. My proposal also included provisions in case a project is sufficiently financed but is not launched by UNIDO. Therefore, as donors who are willing to finance a project will not have reservations against such provisions, I still consider them useful and recommend acting accordingly.

C. Evaluation of Global Forum activities

Evaluations should ensure that strategic outputs of Global Forum activities are incorporated into UNIDO's work.

109. Concerning Global Forum activities the ninth General Conference encouraged the Organization to "ensure that cost-effective and output-oriented analytical activities with clear objectives provide a strong analytical foundation for technical cooperation activities" (GC.9/Res.2). We asked for an evaluation on the "Venice meeting", held in September 2000. UNIDO pointed out that the benefits of the "Venice meeting" would be of indirect nature and enumerated a number of positive outcomes, such as UNIDO's image being improved and the staff being stimulated by the debates and related publications. My staff did not receive a detailed evaluation on costs and benefits. During the ninth General Conference, UNIDO held in Vienna the "Circulo de Montevideo meeting". Upon my request management informed me on costs and benefits of the meeting, such as goals reached, respectively not reached, cost, duration, agenda and documentation of the meeting as well as invited, versus participating persons and feedback in press. **I consider detailed evaluations of Global Forum activities a necessary precondition for a timely and efficient incorporation of the respective strategic outputs into UNIDO's work.**

D. Improvement of quality management

110. In my report for the biennium 1996-1997 I commented on UNIDO's activities initiated in order to increase programme quality; the certification of quality services was targeted at the end of the exercise.

Although some time has elapsed, the Organization still does not have a comprehensive system of quality management.

111. On request, I was informed that the European Foundation for Quality Management self-assessment exercise had provided a framework and valuable insight on the further work required to fully establish a programme quality system. Besides, several quality system-related guidelines had been issued. Finally, management indicated that a staff team had been established to develop measurable performance indicators for the reduced set of service modules and generic performance indicators for the Organization as a whole; a decision to formally seek ISO 9000 certification of the integrated programme process is under discussion.

I do not neglect those factors that hampered the timely implementation of a comprehensive quality system within the Organization (inter alia, restructuring of UNIDO, staff reduction, new programmatic priorities). Nevertheless, in my opinion, after six years a more advanced status of this approach should have been attained. UNIDO's competitive advantage will be limited if certification is late. Besides, the aforementioned progress does not build a consistent basis for a certification process. Aside from the fact that performance-focused teams were disbanded and staff members have to be put on track again, the guidelines referred to above are more a description of the logical frameworks than detailed instructions that would assist in measuring performance, which is a prerequisite for such a certification. This calls for the issue of operational manuals, a requirement my staff insisted upon not only with regard to the quality system.

VII. Follow-up

A. Recommendations in the Audit Report for the biennium 1998-1999

Recommendation	Reply of management
112. **Accounting:** UNIDO should install a standard accounting system with a **closed booking circle, classified chart of accounts** and **one balance of all accounts. Not realized transaction differences** should be eliminated at year's end.	The new standardized accounting system meets these recommendations at large. The special nature of UNIDO's activities may make it difficult to fully achieve this, e.g. in regard to donor's diverse requirements on technical cooperation activities. Please refer to paras. 25-39. With respect to the biennium 2002-2003 not realized transaction differences are given in the FPCS (liquidation of obligations) and in areas where the mainframe is still in use (payroll, travel). Management is aware of these tasks.
113. **Accounts receivable:** Management should develop procedures to standardize the follow-up of accounts receivable.	The efforts have been concentrated on successful recovery of the relatively major amounts. The remaining smaller items will be picked up this year. I would like to point out that the standardization of procedures may contribute to an effective follow-up on the receivables.
114. **ASHI liabilities:** In case of CCAQ(FB) not reaching a decision at the 91st session, we recommended to apply the principles developed in private sector accounting (report 1998-1999, para. 53).	This issue was again taken up by the High-Level Committee on Management during March 2002 in order to find a United Nations-wide solution. UNIDO is of the opinion that a United Nations system-wide approach would be more appropriate than a stand-alone solution. Management did not exclude that single United Nations organizations have initiated funding activities or plan to do so. I assume management is aware that during the genesis of a United Nations system-wide approach, a growing amount of ASHI liabilities may constrain activities of the Organization. In my view UNIDO should consider to use financial windows of opportunity for the "kick-off" of a funding activity.
115. **Staffing:** The **vacant posts of finance officers** should be filled in order to strengthen the **conceptual work capacities**. We asked UNIDO to include in the answer a statement on the internal control system.	The forthcoming recruitment of three finance officers by summer 2002 (refer to para. 37) will resolve these problems. Sufficient internal control is provided in that the work of each staff member is checked by another and two signatures are required for each payment and bank transfers etc.

116. **Common projects of the VIC-based organizations:** UNIDO should conclude binding contracts with other VIC-based organizations before beginning **common projects**.	The Buildings Management Advisory Committee reviews all major projects/activities. Large-scale projects requiring higher-level approval are considered by the Consultative Committee on Common Services, which is attended by Deputy Directors-General, Managing Directors, etc. of the Vienna-based organizations.
117. **Services to other United Nations organizations:** Such services should be rendered only on the basis of clear contracts.	The responsible services (General Services and ICT) have been informed accordingly.
118. **Publication strategy:** Following our recommendation in the Audit Report for the biennium 1996-1997 on UNIDO's **publication strategy** a new office had been created in the Office of the Director-General, intended to coordinate Global Forum activities, including research and to establish a publication strategy. I asked UNIDO to outline the major facts on the personnel and work done by the office.	Under the new structure, effective 1 March 2002, these activities have been reassigned to each individual substantive branch and the Strategic Research and Economy Branch (UNIDO/DGB/(O).86/Add.9). My review revealed major stocks of outdated publications, still on sale, for which the stock permitted delivery for at least ten more years. Management agreed to sort out, respectively sell-off, these stocks.

B. Catering service

The catering services are subsidized. The financial impact of a new contractual arrangement was below expectations. For a self-liquidating commercial activity cost-covering prices are essential.

119. I reviewed the financial impact of the new contractual arrangement concerning the catering service. UNIDO is responsible for the operation and management of catering services at the VIC. According to a new contractual arrangement total utility costs for electricity, water, cleaning, garbage removal, maintenance and repair was to be borne by the new catering agent being responsible for the catering services since 1 January 2000. However, as the business of the caterer concerning his operation at the VIC was not profitable to him, UNIDO agreed to amend the agreement and reduced the caterer's obligations. The catering services subsidies are not reflected in the financial statements of the VIC Catering Services (Annex I). The financial impact of the new contractual arrangement was below the expectations of UNIDO. UNIDO shares the catering services subsidies with the other VIC-based organizations. **The principle of the VIC Catering Services as a commercial and self-sustaining operation may be realized after recalculation of the sales prices for meals and drinks, taking into account all relevant costs incurred.**

VIII. Other matters

A. Amounts written off, cases of fraud or presumptive fraud, and ex gratia payments

120. The Secretariat informed me that there had been no cases of fraud or presumptive fraud. Please refer to paras. 93 and 97.

121. As to amounts written off, I was informed that no amounts were written off during the biennium 2000-2001. Please refer to paras.103-104.

122. I was informed that no ex gratia payments were made.

B. Reflections and future direction

123. In this my final report as External Auditor of the Organization, I thought it might be useful to both the Organization and Member States to share my views and reflections on the work we have carried out over the past eight years. I would also like to make some suggestions on future directions that the Organization should consider.

UNIDO's transformation process had also impact on the work of the External Auditor.

124. During our mandate UNIDO underwent a fundamental transformation. That was not a challenge for the Organization alone but implied some problems for the External Auditor, too. Member States expected that *he* should comment closely on the reform exercise and the question of improved internal management. However, to present recommendations on organizational, personnel and management issues was not easy to accomplish due to changes in the underlying structure. I hope that our coverage of the process and the proposals made in Audit Observations, Management Letters and Reports was helpful for the improvement of the functioning of UNIDO.

125. In line with Regulation 11.4, a main focus of the work of my staff was given to management audits during the initial phase of the mandate. The work in the last biennium concentrated on challenges faced by UNIDO when introducing the new accounting system.

Findings of management audits met some reservations by management in the past. This has now improved.

126. Initially the assessments and recommendations in the Audit Observations did not always receive a warm welcome, since they addressed problems which tackled not only operational issues in the day-to-day work but pointed at required decisions by management. In addition to that, we had to convince management that we did not intend to co-manage the Organization. In some cases some time had elapsed when those decisions were finally taken. I am generally pleased with the action taken by the Organization in these cases, most of these by the current Director-General.

Examples of recommendations based on management audits.

127. To give a few examples of these Audit Observations:

In one of our first Audit Observations, we raised a number of issues relating to the field representation of UNIDO, inter alia, the establishment of regional offices was suggested. A further matter of our concern was the handling of publications and the gaining of revenue through sales publications; a new strategy on publications and a new accounting system were regarded as necessary. Another Audit Observation addressed the large number of committees established within UNIDO; a drastic reduction in the number of established committees was suggested. A closer cooperation with ITC had been recommended in an Audit Observation in March 1996.

Improved management processes could speed up required actions.

128. After having reviewed the activities of the Geneva and the New York Offices of UNIDO in the years 1997 and 1998 respectively, we recommended to clearly identify the functions of these Offices and to describe the best way of interaction between Headquarters and these Offices. In the meantime, UNIDO resourced the Office at Geneva with additional professional staff namely an Assistant Director-General. Having in mind that the terms of reference are reflected in the Programme and Budgets for 2002-2003 for these offices, I am, however, still not fully satisfied. There is still room for improvements in the management process and practices.

I have some doubts on the efficiency of internal control mechanisms.

129. In order to meet the actual challenges and those of the next years, the Organization streamlined its administrative processes by, inter alia, delegating responsibility to allotment holders. We did not object to these changes as long as viable control mechanisms were in place. This is currently not ensured. The Internal Oversight Group is not in a position to perform intensive as well as extensive systematic reviews as required. Moreover, it has to be proved that the new accounting system now surpassing the first "real" year provides adequate automated checks.

The development of key performance indicators is of high importance.

130. Steps are being taken to define and measure programme results (quality management) and other performance indicators, but much further work is necessary. Perhaps the most difficult initiative, and the most important, is the development of performance indicators. There are many types of performance indicators and targets that need to be developed, but the most important are the key results the Organization is trying to achieve.

131. Key indicators for programmes could help focus the efforts of all Organization staff and stakeholders. However, it should be avoided to produce a mass of detailed information that makes it difficult for Member States - and senior management - to focus on the key results areas, and they may be tempted to micro-manage the Organization instead. Thus, there is a need to develop, agree and report on the key results and to distinguish these from more detailed outputs, such as the number of missions, meetings, publications.

Service and delivery standards would enable comparisons with other international organizations.

132. However, the exercise should not stop at that point. In my opinion there is also a need for the development and publication of service and delivery standards, so that the Organization can measure itself against the services it provides. Moreover it would facilitate systematic benchmarking against service levels and costs in other international organizations.

A loss of *esprit de corps* was noted.

133. In this context, I would like to address the staffing situation in the administrative support areas. In the event of a long-term absence, for any reason, of a staff member the possibilities for using temporary assistance funds are very limited due to scarce resources. This situation results in an additional workload for the already hard-working staff on board and subsequent demotivation. My staff has noted a severe loss of *esprit de corps* during the last biennium. It would seem advisable for the Secretariat to pay due regard to the staffing situation in these areas.

134. As far as technical cooperation is concerned, I noted with satisfaction that UNIDO has identified the need to enter into partnerships with private enterprises as a means of mutually reinforcing their respective activities. However, our last field mission revealed that the partnership approach should also be applied with other multilateral and even bilateral organizations operating in the field of technical cooperation.

Technical cooperation should be based on a sectoral approach.

135. Partners in discussion confirmed that not individual projects with a limited focus according to the programme or expertise of each organization, but a sectoral approach would have the most impact on the economy of a developing country, which is being addressed through UNIDO's Integrated Programmes. It would also encompass maximizing the synergies between United Nations agencies and those other development actors. Close cooperation as well as coordination of all prospective partners is therefore required by establishing country programmes, strategic programme concepts, project designs and subsequent operational activities; a successful development and henceforth a profitable partnership aims at the growth of productivity (including technology transfer, information access, investment), improved product quality and increased trade by, inter alia, overcoming the weaknesses in product marketing. An integrated perspective takes also into account environmental problems, human resource development, and conditions of work as well as health aspects.

The Organization has achieved relevance, financial stability, improved technical cooperation delivery and quality of services through more focused activities.

136. During my term of office of eight years, I have witnessed the severe difficulties faced by the Organization as to its *raison d'être*, as well as the resulting uncertainty faced by its staff until the end of 1997. Since then, Member States, management and the Organization's staff have jointly worked hard to reverse this trend and regain the confidence of the international community. I am now pleased at this point in time to report that the Organization has achieved relevance, financial stability, improved technical cooperation delivery and quality of services offered through more focused activities. The future looks promising for UNIDO. My

staff and I would like to take this opportunity to extend our good wishes for the future to the Organization and its staff.

C. Acknowledgement

137. I wish to express my sincere appreciation for the excellent cooperation and assistance extended by the Director-General and the staff of UNIDO, in particular the staff of the Financial Services Branch. Cooperative assistance has also been given to my team by the Internal Oversight Group.

[*Signed*]

N. Hauser

Vice-President of the Federal Court of Audit
Germany
External Auditor

Annex I

CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND OF THE INDUSTRIAL DEVELOPMENT FUND FOR THE FINANCIAL PERIOD 2000-2001 ENDED 31 DECEMBER 2001

To the President
of the Industrial Development Board

I have audited the following appended statements, numbered I to IV, properly identified, and relevant schedules of the United Nations Industrial Development Organization and of the Industrial Development Fund and Trust Funds for the financial period 2000-2001 ended 31 December 2001. These financial statements and schedules are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, conforming with international standards of auditing, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. I have obtained all the information and explanations that I required for the purpose of the audit. As a result of my examination, I certify that, in my opinion:

(a) The financial statements reflect properly the recorded financial transactions for the biennium ended 31 December 2001 and present fairly, in all material respects, the Organization's financial position as at 31 December 2001;

(b) The financial transactions reflected in the statements have in all significant aspects been in accordance with the applicable Financial Regulations and legislative authority;

(c) The financial statements have been prepared in accordance with the stated accounting policies and procedures set out in note 1, which were applied on a basis consistent with that of the preceding financial period.

Additional information and comments on the financial statements and this opinion are included in the observations in my long form report.

Bonn, 31st May 2002

[*Signed*]
Norbert Hauser
Vice-President of the Federal Court of Audit
Germany
External Auditor

Annex II

FINANCIAL STATEMENTS FOR THE 24-MONTH PERIOD OF THE BIENNIUM 2000-2001 ENDED 31 DECEMBER 2001

Certification of financial statements

Director-General's responsibility

The Director-General of the United Nations Industrial Development Organization is responsible for the preparation and integrity of the financial statements. These statements have been prepared in accordance with the common accounting standards of the United Nations organizations and necessarily include some amounts that are based on management's best estimates and judgement. Financial information used elsewhere is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Organization and of funds held in trust by it, the results of their operations and the changes in their financial position.

To fulfil its responsibility, the Organization maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Internal Oversight Group and the External Auditor during their respective audits.

The following appended financial statements, comprising Statements I to IV, relevant Schedules and supporting notes, were properly prepared in accordance with Article X of the Financial Regulations of UNIDO and the United Nations Common Accounting Standards and are hereby approved.

[*Signed*]

Sajjad Ajmal
Director and Treasurer
Financial Services Branch

[*Signed*]

Carlos A. Magariños
Director-General

Statement I

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the biennium 2000-2001
(In thousands of United States dollars)

Heading	General Fund and Working Capital Fund (Note or schedule no.)		Other Headquarters funds (Note or schedule no.)		Technical cooperation (Note or schedule no.)		Eliminations	Total 2000-2001	Total 1998-1999
INCOME									
Assessed contributions	118,150.6	2(a)						118,150.6	130,932.4
Voluntary contributions	661.7		100.4		138,007.1			138,769.2	151,961.9
Other income									
Revenue-producing activities	114.7	2(b)	18,452.9					18,567.6	113.4
Funds received under inter-organization arrangements					21,813.5			21,813.5	34,567.8
Jointly-financed activities	21,177.2							21,177.2	27,740.3
Income for services rendered	193.1							193.1	21,552.8
Interest income	1,340.0		340.3		3,583.7			5,264.0	4,797.9
Currency exchange adjustments	(2,172.0)	2(c)	(2.7)		(1,655.9)			(3,830.6)	(1,716.6)
Miscellaneous	570.0		73.5		(43.7)			599.8	1,654.2
TOTAL INCOME	140,035.3		18,964.4		161,704.7			320,704.4	371,604.1
EXPENDITURE									
Salaries and common staff costs	85,441.5		16,044.6		55,850.4		7,251.9	164,588.4	178,052.9
Contractual services	420.1		573.0		50,160.3		1,005.6	52,159.0	61,707.2
Operational expenses	23,396.2		1,210.3		5,423.0		1,383.0	31,412.5	34,307.9
Acquisitions	258.8		6.9		27,156.6		868.4	28,290.7	29,247.2
Fellowships					9,494.8		1,524.9	11,019.7	10,309.6
Technical cooperation and IDDA	12,033.8						(12,033.8)		
Programme support costs			62.2		17,097.1			17,159.3	19,512.7
Other expenditure	13,040.4		34.8					13,075.2	18,385.9
TOTAL EXPENDITURE	134,590.8		17,931.8		165,182.2			317,704.8	351,523.4
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	5,444.5		1,032.6		(3,477.5)			2,999.6	20,080.7
Prior biennium adjustments	(705.4)	2(d)						(705.4)	18,177.0
Savings on or cancellation of obligations from prior biennium	3,348.5	2(e)	418.4					3,766.9	2,018.6
Provision for delays in the collection of contributions	(4,493.8)							(4,493.8)	13,572.2
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	3,593.8		1,451.0	3(b)	(3,477.5)			1,567.3	53,848.5
Transfers to reserves	640.5				229.8	4(c)		870.3	303.7
Transfers from reserves	(438.5)	2(b,m)						(438.5)	(10,378.0)
Credits to Member States	(12,533.8)							(12,533.8)	(621.7)
Reserves and fund balances, beginning of biennium	14,461.0		2,049.1		114,369.6			130,879.7	87,727.2
RESERVES AND FUND BALANCES, END OF BIENNIUM	5,723.0		3,500.1		111,121.9			120,345.0	130,879.7

STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES
as at 31 December 2001
(In thousands of United States dollars)

Heading	General Fund and Working Capital Fund (Note or schedule no.)		Other Headquarters funds (Note or schedule no.)		Technical cooperation (Note or schedule no.)		Eliminations	Total 2000 - 2001	Total 1998 - 1999
ASSETS									
Cash and term deposits	16,321.2		4,560.3		154,802.9	*4(d)*		175,684.4	176,754.2
Investments									
Accounts receivable									
Assessed contributions receivable from Member States	98,917.4	2.1						98,917.4	104,310.8
Voluntary contributions receivable									
Other contributions receivable	5.4	2.2			4,073.5			4,078.9	1,395.2
Provision for delays in the collection of contributions	(90,896.1)	*2(l)*						(90,896.1)	(86,402.3)
Interfund balances			416.6		5,900.7			6,317.3	2,269.3
Other	8,339.5	*2(f)*	98.4		5,873.6			14,311.5	8,464.6
Other assets	497.5				9,933.7	*4(j)*		10,431.2	4,363.4
TOTAL ASSETS	33,184.9		5,075.3		180,584.4			218,844.6	211,155.2
LIABILITIES									
Payments or contributions received in advance	139.3	*2(g)*			4,277.5			4,416.8	5,879.3
Borrowings payable within one year	1,000.0	*2(h)*						1,000.0	1,000.0
Unliquidated obligations	12,554.5		1,252.7	*3(f)*	32,420.9	*4(i)*		46,228.1	39,455.5
Accounts payable									
Interfund balances	2,001.8		322.5		3,993.0			6,317.3	2,269.3
Other	8,766.3	*2(f)*			28,771.1			37,537.4	26,669.3
Other funds and special accounts									
Other liabilities									
Borrowings payable after one year	3,000.0	*2(h)*						3,000.0	5,000.0
TOTAL LIABILITIES	27,461.9		1,575.2		69,462.5			98,499.6	80,273.4
RESERVES AND FUND BALANCES									
Operating reserves			4,300.0	*3(c)*	550.0	*4(e)*		4,850.0	4,850.0
Other reserves	5,021.5	*2(b,m)*			2,251.2	*4(c)*		7,272.7	7,347.4
Balances relating to projects funded by donors					106,191.3			106,191.3	109,296.0
Working capital funds	6,638.8	*2(k)*						6,638.8	6,610.0
Surplus (deficit)	(5,937.3)	*2(l)*	(799.9)		2,129.4			(4,607.8)	2,776.3
TOTAL RESERVES AND FUND BALANCES	5,723.0		3,500.1		111,121.9			120,345.0	130,879.7
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	33,184.9		5,075.3		180,584.4			218,844.6	211,153.1

Schedule 2.1

STATUS OF ASSESSED CONTRIBUTIONS TO THE REGULAR BUDGET
As at 31 December 2001

Member State	Scale %	Contribution payable 1 January 2001			Credits and collections in 2001			Contributions outstanding as at 31 December 2001			31-12-01	15.4528	1.1230 13.7603
		Prior biennium	Current biennium		Prior biennium	Current biennium		Prior biennium	Current biennium		Total outstanding		
		Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Schilling	US$ equiv.	Total Euro
Afghanistan	0.004	63,775	959	56,206	0	0	0	63,775	959	56,206	64,734	56,206	68,371	76,778
Albania	0.004	0	480	28,103	0	17	976	0	462	27,127	462	27,127	2,218	2,491
Algeria	0.127	0	15,229	892,269	0	15,229	892,269	0	0	0	0	0	0	0
Angola	0.015	0	1,799	105,386	0	1,799	105,386	0	0	0	0	0	0	0
Argentina	1.629	1,425,530	390,690	22,889,861	1,034,621	0	0	390,909	390,690	22,889,861	781,598	22,889,861	2,262,874	2,541,205
Armenia	0.009	801,166	2,159	126,463	0	0	0	801,166	2,159	126,463	803,325	126,463	811,508	911,326
Austria	1.392	0	166,924	9,779,830	0	166,924	9,779,830	0	0	0	0	0	0	0
Azerbaijan	0.016	1,159,530	3,837	224,824	50,000	0	0	1,109,530	3,837	224,824	1,113,368	224,824	1,127,917	1,266,648
Bahamas	0.022	0	2,663	156,043	0	2,663	156,043	0	0	0	0	0	0	0
Bahrain	0.025	0	2,998	175,643	0	50	2,915	0	2,948	172,728	2,948	172,728	14,126	15,863
Bangladesh	0.015	0	2,472	144,905	0	2,472	144,905	0	0	0	0	0	0	0
Barbados	0.012	0	2,378	139,256	0	2,378	139,256	0	0	0	0	0	0	0
Belarus	0.084	567,018	20,146	1,180,324	50,387	0	0	516,631	20,146	1,180,324	536,777	1,180,324	613,160	688,578
Belgium	1.631	0	195,584	11,458,982	0	195,584	11,458,982	0	0	0	0	0	0	0
Belize	0.001	0	123	7,169	0	123	7,169	0	0	0	0	0	0	0
Benin	0.003	11,289	720	42,154	11,287	131	7,721	2	589	34,433	590	34,433	2,818	3,163
Bhutan	0.001	0	148	8,682	0	17	979	0	131	7,703	131	7,703	629	707
Bolivia	0.010	0	1,199	70,257	0	1,199	70,257	0	0	0	0	0	0	0
Bosnia and Herzegovina	0.007	183,416	1,679	98,360	0	0	0	183,416	1,679	98,360	185,094	98,360	191,460	215,008
Botswana	0.015	0	1,799	105,386	0	1,428	83,730	0	371	21,656	371	21,656	1,772	1,989
Brazil	2.173	8,605,829	521,159	30,533,866	2,265	0	0	8,603,564	521,159	30,533,866	9,124,724	30,533,866	11,100,66	12,466,047
Bulgaria	0.016	0	1,918	112,412	0	1,918	112,412	0	0	0	0	0	0	0
Burkina Faso	0.003	53,359	720	42,154	53,359	720	42,154	0	0	0	0	0	0	0
Burundi	0.001	56,764	240	14,051	0	0	0	56,764	240	14,051	57,003	14,051	57,913	65,035
Cambodia	0.001	9,897	240	14,051	9,897	240	14,051	0	0	0	0	0	0	0
Cameroon	0.019	8,686	4,557	266,978	2,522	0	0	6,164	4,557	266,978	10,720	266,978	27,997	31,440
Cape Verde	0.003	81,094	720	42,154	0	0	0	81,094	720	42,154	81,813	42,154	84,541	94,936
Central African Republic	0.001	96,937	240	14,051	0	0	0	96,937	240	14,051	97,176	14,051	98,086	110,145
Chad	0.001	73,156	240	14,051	0	0	0	73,156	240	14,051	73,395	14,051	74,305	83,440
Chile	0.201	0	24,104	1,412,173	0	3,611	211,626	0	20,492	1,200,547	20,492	1,200,547	98,183	110,260
China	1.470	0	176,278	10,327,837	0	176,278	10,327,837	0	0	0	0	0	0	0
Colombia	0.161	0	19,306	1,131,144	0	19,306	1,131,144	0	0	0	0	0	0	0
Comoros	0.001	106,020	240	14,051	0	0	0	106,020	240	14,051	106,259	14,051	107,169	120,345
Congo	0.004	91,803	959	56,206	0	0	0	91,803	959	56,206	92,762	56,206	96,399	108,252
Costa Rica	0.024	57,643	5,756	337,236	8,442	0	0	49,201	5,756	337,236	54,957	337,236	76,780	86,223
Côte d'Ivoire	0.013	0	3,118	182,669	0	0	0	0	3,118	182,669	3,118	182,669	14,939	16,776
Croatia	0.044	0	5,277	309,132	0	214	12,623	0	5,064	296,509	5,064	296,509	24,252	27,232
Cuba	0.036	73,447	8,634	505,853	73,447	986	57,880	0	7,648	447,973	7,648	447,973	36,638	41,142
Cyprus	0.050	0	5,996	351,287	0	5,996	351,287	0	0	0	0	0	0	0
Czech Republic	0.158	0	18,947	1,110,067	0	18,947	1,110,067	0	0	0	0	0	0	0
Dem. P. Rep of Korea	0.022	242,587	5,276	309,133	242,587	2,604	152,653	0	2,672	156,480	2,672	156,480	12,799	14,371
Dem. Rep.of the Congo	0.010	91,364	2,398	140,515	0	0	0	91,364	2,398	140,515	93,762	140,515	102,855	115,501
Denmark	1.022	0	122,555	7,180,306	0	122,555	7,180,306	0	0	0	0	0	0	0
Djibouti	0.001	73,156	240	14,051	0	0	0	73,156	240	14,051	73,395	14,051	74,305	83,440
Dominica	0.001	0	120	7,025	0	43	2,477	0	77	4,548	77	4,548	371	417
Dominican Republic	0.022	249,958	5,276	309,133	0	0	0	249,958	5,276	309,133	255,234	309,133	275,239	309,091
Ecuador	0.030	81,755	7,195	421,544	81,755	7,195	421,544	0	0	0	0	0	0	0
Egypt	0.096	0	11,512	674,471	0	11,512	674,471	0	0	0	0	0	0	0
El Salvador	0.018	90,660	4,317	252,927	0	0	0	90,660	4,317	252,927	94,977	252,927	111,344	125,037

Schedule 2.1

Member State	Scale %	Contribution payable 1 January 2001			Credits and collections in 2001			Contributions outstanding as at 31 December 2001			31-12-01		15.4528	1.1230 13.7603
		Prior biennium	Current biennium		Prior biennium	Current biennium		Prior biennium	Current biennium		Total outstanding			
		Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Schilling	US$ equiv.	Total Euro
Equatorial Guinea	0.001	106,020	240	14,051	0	0	0	106,020	240	14,051	106,259	14,051	107,169	120,346
Eritrea	0.001	443	240	14,051	443	240	14,051	0	0	0	0	0	0	0
Ethiopia	0.009	0	1,079	63,231	0	1,079	63,231	0	0	0	0	0	0	0
Fiji	0.006	1,562	1,439	84,309	78	0	0	1,484	1,439	84,309	2,923	84,309	8,378	9,409
Finland	0.802	0	96,173	5,634,643	0	96,173	5,634,643	0	0	0	0	0	0	0
France	9.669	0	2,318,955	135,863,758		2,318,955	135,863,758	0	0	0	0	0	0	0
Gabon	0.022	0	2,638	154,566	0	20	1,164	0	2,618	153,402	2,618	153,402	12,545	14,088
Gambia	0.001	73,375	240	14,051	7,995	0	0	65,380	240	14,051	65,619	14,051	66,529	74,709
Georgia	0.010	1,404,307	2,398	140,515	0	0	0	1,404,307	2,398	140,515	1,406,706	140,515	1,415,799	1,589,941
Germany	14.562	0	1,746,231	102,308,824	0	1,746,231	102,308,824	0	0	0	0	0	0	0
Ghana	0.010	0	2,022	118,450		17	976	0	2,004	117,474	2,004	117,474	9,606	10,787
Greece	0.519	0	62,237	3,646,359	0	62,237	3,646,359	0	0	0	0	0	0	0
Grenada	0.001	76,571	240	14,051	0	0	0	76,571	240	14,051	76,810	14,051	77,720	87,276
Guatemala	0.027	171,409	6,476	379,390	154,422	0	0	16,987	6,476	379,390	23,462	379,390	48,014	53,920
Guinea	0.004	49,878	959	56,206	40,014	0	0	9,864	959	56,206	10,823	56,206	14,460	16,239
Guinea-Bissau	0.001	101,662	240	14,051	0	0	0	101,662	240	14,051	101,901	14,051	102,811	115,455
Guyana	0.001	0	120	7,025	0	17	976	0	103	6,049	103	6,049	494	555
Haiti	0.003	0	628	36,733		628	36,733	0	0	0	0	0	0	0
Honduras	0.004	0	479	28,103	0	479	28,103	0	0	0	0	0	0	0
Hungary	0.177	0	21,225	1,243,556	0	21,225	1,243,556	0	0	0	0	0	0	0
India	0.442	0	53,003	3,105,377	0	53,003	3,105,377	0	0	0	0	0	0	0
Indonesia	0.278	0	33,337	1,953,155	0	1,736	101,804	0	31,601	1,851,351	31,601	1,851,351	151,408	170,030
Iran (Islamic Republic of)	0.238	137,310	57,080	3,344,252	137,310	4,523	265,065	0	52,557	3,079,187	52,558	3,079,187	251,822	282,794
Iraq	0.047	1,265,022	11,286	660,434	0		0	1,265,022	11,286	660,434	1,276,308	660,434	1,319,047	1,481,289
Ireland	0.331	0	39,692	2,325,520	0	39,692	2,325,520	0	0	0	0	0	0	0
Israel	0.517	0	61,997	3,632,307	0	61,997	3,632,307	0	0	0	0	0	0	0
Italy	8.032	0	963,173	56,430,743	0	963,173	56,430,743	0	0	0	0	0	0	0
Jamaica	0.009	0	1,080	63,259	0	116	6,793	0	964	56,466	963	56,466	4,617	5,184
Japan	25.000	0	2,997,925	175,643,497	0	2,997,925	175,643,497	0	0	0	0	0	0	0
Jordan	0.009	0	1,079	63,231	0	1,079	63,231	0	0	0	0	0	0	0
Kazakhstan	0.071	339,475	17,028	997,655	0	0	0	339,475	17,028	997,655	356,503	997,655	421,064	472,854
Kenya	0.010	0	1,989	116,470	0	457	26,768	0	1,532	89,702	1,531	89,702	7,336	8,238
Kuwait	0.189	0	22,664	1,327,865	0	22,664	1,327,865	0	0	0	0	0	0	0
Kyrgyzstan	0.009	323,501	2,159	126,463	0	0	0	323,501	2,159	126,463	325,660	126,463	333,844	374,908
Lao People's Dem. Rep.	0.001	0	120	7,025	0	120	7,025	0	0	0	0	0	0	0
Lebanon	0.024	911	5,756	337,236	78	0	0	833	5,756	337,236	6,589	337,236	28,412	31,906
Lesotho	0.003	0	510	29,801		17	976	0	493	28,825	493	28,825	2,358	2,648
Liberia	0.003	73,156	720	42,154	0	0	0	73,156	720	42,154	73,875	42,154	76,603	86,022
Libyan Arab Jamahiriya	0.183	144,139	43,890	2,571,421	113,453	0	0	30,686	43,890	2,571,421	74,576	2,571,421	240,980	270,622
Lithuania	0.022	517,944	5,276	309,133	215	0	0	517,729	5,276	309,133	523,006	309,133	543,011	609,799
Luxembourg	0.101	0	12,111	709,599	0	12,111	709,599	0	0	0	0	0	0	0
Madagascar	0.004	0	479	28,103	0	479	28,103	0	0	0	0	0	0	0
Malawi	0.003	27,029	720	42,154	14	0	0	27,015	720	42,154	27,734	42,154	30,462	34,208
Malaysia	0.270	0	32,377	1,896,950	0	32,377	1,896,950	0	0	0	0	0	0	0
Maldives	0.001	1,592	240	14,051	1,592	50	2,938	0	190	11,113	189	11,113	909	1,021
Mali	0.003	10,144	720	42,154	78	0	0	10,066	720	42,154	10,785	42,154	13,513	15,175
Malta	0.021	0	2,518	147,540	0	2,518	147,540	0	0	0	0	0	0	0
Mauritania	0.001	99,166	240	14,051	0	0	0	99,166	240	14,051	99,405	14,051	100,315	112,649
Mauritius	0.013	0	1,559	91,334	0	1,559	91,334	0	0	0	0	0	0	0
Mexico	1.470	0	176,278	10,327,837	0	176,278	10,327,837	0	0	0	0	0	0	0
Mongolia	0.003	5,748	720	42,154	5,748	720	42,154	0	0	0	0	0	0	0
Morocco	0.061	0	7,315	428,570	0	7,315	428,570	0	0	0	0	0	0	0
Mozambique	0.001	0	120	7,025	0	120	7,025	0	0	0	0	0	0	0

Schedule 2.1

Member State	Scale %	Contribution payable 1 January 2001			Credits and collections in 2001			Contributions outstanding as at 31 December 2001			31-12-01		15.4528	1.1230 13.7603
		Prior biennium	Current biennium		Prior biennium	Current biennium		Prior biennium	Current biennium		Total outstanding			
		Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Schilling	US$ equiv.	Total Euro
Myanmar	0.012	6,246	2,878	168,618	6,246	1,305	76,485	0	1,573	92,133	1,573	92,133	7,535	8,462
Namibia	0.010	0	1,454	85,196	0	1,454	85,196	0	0	0	0	0	0	0
Nepal	0.006	5,304	1,439	84,309	5,304	1,439	84,309	0	0	0	0	0	0	0
Netherlands	2.411	0	289,120	16,939,059	0	289,120	16,939,059	0	0	0	0	0	0	0
New Zealand	0.327	0	39,213	2,297,417	0	39,213	2,297,417	0	0	0	0	0	0	0
Nicaragua	0.001	117,564	240	14,051	0	0	0	117,564	240	14,051	117,803	14,051	118,713	133,310
Niger	0.003	81,125	720	42,154	0	0	0	81,125	720	42,154	81,844	42,154	84,572	94,971
Nigeria	0.047	92,864	11,272	660,420	51,509	0	0	41,355	11,272	660,420	52,627	660,420	95,365	107,093
Norway	0.901	0	108,045	6,330,191	0	108,045	6,330,191	0	0	0	0	0	0	0
Oman	0.075	0	9,048	530,101		9,048	530,101	0	0	0	0	0	0	0
Pakistan	0.087	0	20,866	1,222,479		12,681	742,756	0	8,185	479,723	8,185	479,723	39,229	44,055
Panama	0.019	0	4,033	236,209		862	50,506	0	3,172	185,703	3,172	185,703	15,189	17,056
Papua New Guinea	0.010	20,890	2,398	140,515	14	0	0	20,876	2,398	140,515	23,274	140,515	32,367	36,344
Paraguay	0.021	6,419	5,037	295,081	0	0	0	6,419	5,037	295,081	11,455	295,081	30,551	34,308
Peru	0.146	49,868	35,016	2,051,516	49,868	19,325	1,132,183	0	15,691	919,333	15,691	919,333	75,184	84,432
Philippines	0.120	0	14,390	843,089	0	2,503	146,668	0	11,887	696,421	11,887	696,421	56,955	63,960
Poland	0.290	0	34,776	2,037,464	0	34,776	2,037,464	0	0	0	0	0	0	0
Portugal	0.637	17,061	152,774	8,950,793	17,061	73,386	4,299,578	0	79,388	4,651,215	79,388	4,651,215	380,383	427,169
Qatar	0.049	80,004	11,752	688,523	65,716	0	0	14,288	11,752	688,523	26,039	688,523	70,596	79,281
Republic of Korea	1.486	0	178,196	10,440,249	0	178,196	10,440,249	0	0	0	0	0	0	0
Republic of Moldova	0.015	757,271	3,598	210,772	0	0	0	757,271	3,598	210,772	760,869	210,772	774,509	869,774
Romania	0.083	0	9,953	583,136	0	9,953	583,136	0	0	0	0	0	0	0
Russian Federation	1.591	0	190,789	11,177,952	0	183,723	10,764,050	0	7,066	413,902	7,066	413,902	33,851	38,013
Rwanda	0.001	47,300	240	14,051	14	0	0	47,286	240	14,051	47,525	14,051	48,435	54,389
Saint Kitts and Nevis	0.001	29,009	240	14,051	29,009	49	2,910	0	191	11,141	190	11,141	911	1,023
Saint Lucia	0.001	0	124	7,249	0	124	7,249	0	0	0	0	0	0	0
Saint Vincent & the Grenadines	0.001	96,465	240	14,051	0	0	0	96,465	240	14,051	96,704	14,051	97,614	109,615
Sao Tome and Principe	0.001	106,020	240	14,051	0	0	0	106,020	240	14,051	106,259	14,051	107,169	120,346
Saudi Arabia	0.830	615,612	199,062	11,662,728	615,612	199,062	11,662,728	0	0	0	0	0	0	0
Senegal	0.009	6,520	2,159	126,463	6,520	2,159	126,463	0	0	0	0	0	0	0
Seychelles	0.003	33,827	720	42,154	14	0	0	33,813	720	42,154	34,532	42,154	37,260	41,842
Sierra Leone	0.001	82,360	240	14,051	3,451	0	0	78,909	240	14,051	79,147	14,051	80,057	89,898
Slovakia	0.052	0	6,235	365,338	0	6,235	365,338	0	0	0	0	0	0	0
Slovenia	0.090	61,232	21,585	1,264,633	763	0	0	60,469	21,585	1,264,633	82,054	1,264,633	163,692	184,053
Somalia	0.001	117,574	240	14,051	0	0	0	117,574	240	14,051	117,813	14,051	118,723	133,323
Spain	3.828	0	459,042	26,894,532	0	459,043	26,894,532	0	0	0	0	0	0	0
Sri Lanka	0.018	0	2,158	126,463	0	2,158	126,463	0	0	0	0	0	0	0
Sudan	0.010	0	1,200	70,257	0	16	976	0	1,184	69,281	1,184	69,281	5,668	6,362
Suriname	0.006	26,752	1,439	84,309	14	0	0	26,738	1,439	84,309	28,177	84,309	33,632	37,768
Swaziland	0.003	0	360	21,077	0	360	21,077	0	0	0	0	0	0	0
Sweden	1.594	0	191,147	11,199,029	0	191,147	11,199,029	0	0	0	0	0	0	0
Switzerland	1.795	0	215,251	12,611,203	0	215,251	12,611,203	0	0	0	0	0	0	0
Syrian Arab Republic	0.095	0	11,392	667,445	0	11,392	667,445	0	0	0	0	0	0	0
Tajikistan	0.006	239,268	1,439	84,309	0	0	0	239,268	1,439	84,309	240,707	84,309	246,163	276,442
Thailand	0.251	0	30,099	1,763,460	0	30,099	1,763,460	0	0	0	0	0	0	0
TFYR of Macedonia	0.006	12,163	1,439	84,309	12,163	18	1,097	0	1,421	83,212	1,421	83,212	6,806	7,643
Togo	0.001	62,204	240	14,051	0	0	0	62,204	240	14,051	62,443	14,051	63,353	71,142
Tonga	0.001	0	123	7,166	0	16	983	0	107	6,183	107	6,183	507	570
Trinidad and Tobago	0.024	9,666	5,756	337,236	329	0	0	9,337	5,756	337,236	15,093	337,236	36,917	41,457
Tunisia	0.041	0	4,916	288,055	0	4,916	288,055	0	0	0	0	0	0	0
Turkey	0.650	0	78,051	4,572,816	0	800	46,922	0	77,251	4,525,894	77,251	4,525,894	370,136	415,660
Turkmenistan	0.009	123,191	2,159	126,463	0	0	0	123,191	2,159	126,463	125,350	126,463	133,534	149,960
Uganda	0.006	36,158	1,439	84,309	14	0	0	36,144	1,439	84,309	37,582	84,309	43,037	48,330

Schedule 2.1

Member State	Scale %	Contribution payable 1 January 2001			Credits and collections in 2001			Contributions outstanding as at 31 December 2001			31-12-01	15.4528	1.1230 13.7603
		Prior biennium	Current biennium		Prior biennium	Current biennium		Prior biennium	Current biennium		Total outstanding		
		Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Dollar	Schilling	Dollar	Schilling	US$ equiv.	Total Euro
Ukraine	0.281	8,326,348	67,393	3,948,466	921,677	0	0	7,404,671	67,393	3,948,466	7,472,065	3,948,466	7,727,583	8,678,076
United Arab Emirates	0.263	0	31,538	1,847,769	0	417	24,459	0	31,121	1,823,310	31,121	1,823,310	149,113	167,454
United Kingdom	7.522	0	902,015	52,847,615	0	902,015	52,847,615	0	0	0	0	0	0	0
United Republic of Tanzania	0.004	64,984	959	56,206	11,274	0	0	53,710	959	56,206	54,669	56,206	58,306	65,475
Uruguay	0.071	7,964	17,028	997,655	7,964	190	11,151	0	16,838	986,504	16,839	986,504	80,678	90,601
Uzbekistan	0.037	380,928	8,874	519,905	21,940	0	0	358,988	8,874	519,905	367,861	519,905	401,506	450,891
Vanuatu	0.001	67,431	240	14,051	0	0	0	67,431	240	14,051	67,670	14,051	68,580	77,011
Venezuela	0.236	0	28,300	1,658,074	0	28,300	1,658,074	0	0	0	0	0	0	0
Viet Nam	0.010	0	1,199	70,257	0	1,199	70,257	0	0	0	0	0	0	0
Yemen	0.015	20,214	3,598	210,772	20,214	1,197	70,193	0	2,401	140,579	2,400	140,579	11,497	12,911
Yugoslavia	0.038	1,812,867	9,114	533,956	0	0	0	1,812,867	9,114	533,956	1,821,981	533,956	1,856,535	2,084,891
Zambia	0.003	42,480	720	42,154	14	0	0	42,466	720	42,154	43,186	42,154	45,913	51,558
Zimbabwe	0.013	42	3,118	182,669	42	1,512	88,574	0	1,606	94,095	1,606	94,095	7,695	8,641
Subtotal:	100	32,949,379	14,031,020	822,053,292	3,928,755	12,412,173	727,209,946	29,020,624	1,618,847	94,843,346	30,639,471	94,843,346	36,777,087	41,300,518
USA		61,714,126	-		35,826			61,678,300	-		61,678,300		61,678,300	69,264,731
NEW MEMBER STATES														
Chad		8,737			0	0	0	8,737			8,737		8,737	9,812
Comoros		11,557			0	0	0	11,557			11,557		11,557	12,979
Djibouti		7,827			0	0	0	7,827			7,827		7,827	8,790
El Salvador		15,360						15,360			15,360		15,360	17,249
Equatorial Guinea		11,557			0			11,557			11,557		11,557	12,979
Kazakhstan		162,568			95,307	0	0	67,261			67,261		67,261	75,534
Liberia		16,721			0			16,721			16,721		16,721	18,778
Sao Tome and Principe		11,557			0			11,557			11,557		11,557	12,978
South Africa		0	93,056	5,451,974	0	43,298	2,536,740	0	49,758	2,915,234	49,758	2,915,234	238,412	267,737
Turkmenistan		46,600						46,600			46,600		46,600	52,332
Yugoslavia		0	5,516	323,184				0	5,516	323,184	5,516	323,184	26,430	29,681
Subtotal:		292,484	98,572	5,775,158	95,307	43,298	2,536,740	197,177	55,274	3,238,418	252,451	3,238,418	462,019	518,847
TOTAL		94,955,989	14,129,592	827,828,450	4,059,888	12,455,471	729,746,686	90,896,101	1,674,121	98,081,764	92,570,222	98,081,764	98,917,406	111,084,096
1986		92,501			0			92,501			92,501		92,501	103,890
1987														
1988		171,673			0			171,673			171,673		171,673	192,799
1989														
1990		1,163,860			3,670			1,160,190			1,160,190		1,160,190	1,302,880
1991														
1992		2,141,190			111,714			2,029,476			2,029,476		2,029,476	2,279,088
1993														
1994		44,289,732			1,089,136			43,200,596			43,200,596		43,200,596	48,514,279
1995														
1996		36,999,700			1,013,946			35,985,754			35,985,754		35,985,754	40,411,986
1997														
1998		10,097,333			1,841,422			8,255,911			8,255,911		8,255,911	9,271,294
1999														
2000			2,086,328	122,233,392		1,426,267	83,562,061		660,061	38,671,331	660,061	38,671,331	3,162,606	3,551,594
2001			12,043,264	705,595,058		11,029,204	646,184,625		1,014,060	59,410,433	1,014,060	59,410,433	4,858,699	5,456,286
TOTAL		94,955,989	14,129,592	827,828,450	4,059,888	12,455,471	729,746,686	90,896,101	1,674,121	98,081,764	92,570,222	98,081,764	98,917,406	111,084,096

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 2001

(In United States dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-2000	Adjustments in 2001	Collections in 2001	Amount outstanding to date
AFGHANISTAN	0.0040	264	264			0
ALBANIA	0.0040	264	264			0
ALGERIA	0.1270	8,395	8,395			0
ANGOLA	0.0150	992	992			0
ARGENTINA	1.6290	107,677	46,494	803	60,380	0
ARMENIA	0.0090	595	595			0
AUSTRIA	1.3920	92,011	92,011			0
AZERBAIJAN	0.0160	1,058	1,058			0
BAHAMAS	0.0220	1,454	1,454			0
BAHRAIN	0.0250	1,653	1,653			0
BANGLADESH	0.0150	992	992			0
BARBADOS	0.0120	793	793			0
BELARUS	0.0840	5,552	5,552			0
BELGIUM	1.6310	107,809	107,809			0
BELIZE	0.0010	66	66			0
BENIN	0.0030	198	198			0
BHUTAN	0.0010	66	66			0
BOLIVIA	0.0100	661	661			0
BOSNIA AND HERZEGOVINA	0.0070	463	463			0
BOTSWANA	0.0150	992	992			0
BRAZIL	2.1730	143,635	143,635			0
BULGARIA	0.0160	1,058	1,058			0
BURKINA FASO	0.0030	198	198			0
BURUNDI	0.0010	66	66			0
CAMBODIA	0.0010	66	66			0
CAMEROON	0.0190	1,256	687	78	491	0
CAPE VERDE	0.0030	198	198			0
CENTRAL AFRICAN REPUBLIC	0.0010	66	66			0
CHAD	0.0010	66	66			0
CHILE	0.2010	13,286	13,286			0
CHINA	1.4700	97,167	97,167			0
COLOMBIA	0.1610	10,642	10,642			0
COMOROS	0.0010	66	66			0
CONGO	0.0040	264	264			0
COSTA RICA	0.0240	1,587	1,587			0

Schedule 2.2

Member State	Scale if assessment (percentage)	Amount of advance	Collections 1986-2000	Adjustments in 2001	Collections in 2001	Amount outstanding to date
COTE D'IVOIRE	0.0130	859	712	93		54
CROATIA	0.0440	2,908	2,908			0
CUBA	0.0360	2,380	2,380			0
CYPRUS	0.0500	3,305	3,305			0
CZECH REPUBLIC	0.1580	10,444	10,444			0
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.0220	1,454	1,454			0
DEMOCRATIC REPUBLIC OF THE CONGO	0.0100	661	661			0
DENMARK	1.0220	67,554	67,554			0
DJIBOUTI	0.0010	66	66			0
DOMINICA	0.0010	66	66			0
DOMINICAN REPUBLIC	0.0220	1,454	224			1,230
ECUADOR	0.0300	1,983	1,983			0
EGYPT	0.0960	6,346	6,346			0
EL SALVADOR	0.0180	1,190	82			1,108
EQUATORIAL GUINEA	0.0010	66	66			0
ERITREA	0.0010	66	66			0
ETHIOPIA	0.0090	595	595			0
FIJI	0.0060	397	397			0
FINLAND	0.8020	53,012	53,012			0
FRANCE	9.6690	639,121	617,058	22,062		0
GABON	0.0220	1,454	1,454			0
GAMBIA	0.0010	66	66			0
GEORGIA	0.0100	661	661			0
GERMANY	14.5620	962,548	962,548			0
GHANA	0.0100	661	661			0
GREECE	0.5190	34,306	34,306			0
GRENADA	0.0010	66	66			0
GUATEMALA	0.0270	1,785	1,785			0
GUINEA	0.0040	264	264			0
GUINEA-BISSAU	0.0010	66	66			0
GUYANA	0.0010	66	66			0
HAITI	0.0030	198	198			0
HONDURAS	0.0040	264	264			0
HUNGARY	0.1770	11,700	11,700			0
INDIA	0.4420	29,216	29,216			0
INDONESIA	0.2780	18,376	18,376			0
IRAN (ISLAMIC REPUBLIC OF)	0.2380	15,732	15,732			0
IRAQ	0.0470	3,107	3,107			0
IRELAND	0.3310	21,879	21,879			0
ISRAEL	0.5170	34,174	34,174			0
ITALY	8.0320	530,915	530,915			0

Schedule 2.2

Member State	Scale if assessment (percentage)	Amount of advance	Collections 1986-2000	Adjustments in 2001	Collections in 2001	Amount outstanding to date
JAMAICA	0.0090	595	595			0
JAPAN	25.0000	1,652,500	1,652,500			0
JORDAN	0.0090	595	595			0
KAZAKHSTAN	0.0710	4,693	-		4,693	0
KENYA	0.0100	661	661			0
KUWAIT	0.1890	12,493	12,493			0
KYRGYZSTAN	0.0090	595	480			115
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.0010	66	66			0
LEBANON	0.0240	1,587	1,587			0
LESOTHO	0.0030	198	198			0
LIBERIA	0.0030	198	198			0
LIBYAN ARAB JAMAHIRIYA	0.1830	12,096	12,096			0
LITHUANIA	0.0220	1,454	1,454			0
LUXEMBOURG	0.1010	6,676	6,676			0
MADAGASCAR	0.0040	264	264			0
MALAWI	0.0030	198	198			0
MALAYSIA	0.2700	17,847	17,847			0
MALDIVES	0.0010	66	66			0
MALI	0.0030	198	198			0
MALTA	0.0210	1,388	1,388			0
MAURITANIA	0.0010	66	66			0
MAURITIUS	0.0130	859	859			0
MEXICO	1.4700	97,167	97,167			0
MONGOLIA	0.0030	198	198			0
MOROCCO	0.0610	4,032	4,032			0
MOZAMBIQUE	0.0010	66	66			0
MYANMAR	0.0120	793	687	78	28	0
NAMIBIA	0.0100	661	661			0
NEPAL	0.0060	397	397			0
NETHERLANDS	2.4110	159,367	159,367			0
NEW ZEALAND	0.3270	21,615	21,615			0
NICARAGUA	0.0010	66	66			0
NIGER	0.0030	198	198			0
NIGERIA	0.0470	3,107	3,107			0
NORWAY	0.9010	59,556	59,556			0
OMAN	0.0750	4,958	4,958			0
PAKISTAN	0.0870	5,751	5,623	128		0
PANAMA	0.0190	1,256	1,256			0
PAPUA NEW GUINEA	0.0100	661	661			0
PARAGUAY	0.0210	1,388	712	93		583
PERU	0.1460	9,651	9,651			0

Schedule 2.2

Member State	Scale if assessment (percentage)	Amount of advance	Collections 1986-2000	Adjustments in 2001	Collections in 2001	Amount outstanding to date
PHILIPPINES	0.1200	7,932	7,932			0
POLAND	0.2900	19,169	19,169			0
PORTUGAL	0.6370	42,106	42,106			0
QATAR	0.0490	3,239	3,239			0
REPUBLIC OF KOREA	1.4860	98,225	98,225			0
REPUBLIC OF MOLDOVA	0.0150	992	992			0
ROMANIA	0.0830	5,486	5,486			0
RUSSIAN FEDERATION	1.5910	105,165	105,165			0
RWANDA	0.0010	66	66			0
SAINT KITTS AND NEVIS	0.0010	66	66			0
SAINT LUCIA	0.0010	66	66			0
ST VINCENT AND THE GRENADINES	0.0010	66	66			0
SAO TOME AND PRINCIPE	0.0010	66	66			0
SAUDI ARABIA	0.8300	54,863	54,863			0
SENEGAL	0.0090	595	595			0
SEYCHELLES	0.0030	198	198			0
SIERRA LEONE	0.0010	66	66			0
SLOVAKIA	0.0520	3,437	3,437			0
SLOVENIA	0.0900	5,949	5,949			0
SOMALIA	0.0010	66	66			0
SPAIN	3.8280	253,031	253,031			0
SRI LANKA	0.0180	1,190	1,190			0
SUDAN	0.0100	661	661			0
SURINAME	0.0060	397	397			0
SWAZILAND	0.0030	198	198			0
SWEDEN	1.5940	105,363	105,363			0
SWITZERLAND	1.7950	118,650	118,650			0
SYRIAN ARAB REPUBLIC	0.0950	6,280	6,280			0
TAJIKISTAN	0.0060	397	397			0
THAILAND	0.2510	16,591	16,591			0
THE FORMER YUGOSLAV REP. OF MACEDONIA	0.0060	397	397			0
TOGO	0.0010	66	66			0
TONGA	0.0010	66	66			0
TRINIDAD AND TOBAGO	0.0240	1,587	1,587			0
TUNISIA	0.0410	2,710	2,710			0
TURKEY	0.6500	42,965	42,965			0
TURKMENISTAN	0.0090	595	-			595
UGANDA	0.0060	397	397			0
UKRAINE	0.2810	18,574	18,574			0
UNITED ARAB EMIRATES	0.2630	17,384	17,384			0
UNITED KINGDOM	7.5220	497,204	497,204			0

Schedule 2.2

Member State	Scale if assessment (percentage)	Amount of advance	Collections 1986-2000	Adjustments in 2001	Collections in 2001	Amount outstanding to date
UNITED REPUBLIC OF TANZANIA	0.0040	264	264			0
URUGUAY	0.0710	4,693	4,693			0
UZBEKISTAN	0.0370	2,446	2,446			0
VANUATU	0.0010	66	66			0
VENEZUELA	0.2360	15,600	15,600			0
VIET NAM	0.0100	661	661			0
YEMEN	0.0150	992	992			0
YUGOSLAVIA	0.0380	2,512	2,512			0
ZAMBIA	0.0030	198	198			0
ZIMBABWE	0.0130	859	687	78	94	0
Subtotal (168 States)	**100.0000**	**6,610,000**	**6,517,215**	**23,413**	**65,686**	**3,686**
New Member States						
SOUTH AFRICA	0.4100	27,101			27,101	-
YUGOSLAVIA	0.0260	1,719				1,719
TOTAL (169 States)	**100.4360**	**6,638,820**	**6,517,215**	**23,413**	**92,787**	**5,405**

Statement III

GENERAL FUND AND WORKING CAPITAL FUND
Statement of cash flow for the biennium 2000-2001 as at 31 December 2001
(In thousands of United States dollars)

			Total 2001	Total 1999
Cash flows from operating activities				
Net excess (shortfall) of income over expenditure (Statement I)			5,444.5	10,090.5
(Increase) decrease in contributions receivable			5,681.6	(4,630.0)
(Increase) decrease other accounts receivable			(1,112.4)	1,692.7
Increase (decrease) in contributions or payments received in advance			(156.8)	(334.0)
Increase (decrease) in unliquidated obligations			1,034.1	(164.6)
Increase (decrease) in accounts payable			3,126.6	1,818.2
Increase (decrease) in other funds and special accounts				
Less:	Interest income	1,340.0		
	Currency exchange adjustments	(2,172.0)	(832.0)	615.7
Net cash from operating activities			14,849.6	7,857.1
Cash flows from investing and financing activities				
Increase (decrease) in interfund balances			1,092.1	(135.4)
Increase (decrease) in borrowings			(2,000.0)	(2,000.0)
Plus:	Interest income	1,340.0		
	Currency exchange adjustments	(2,172.0)	(832.0)	615.7
Net cash from investing and financing activities			(1,739.9)	(1,519.7)
Cash flows from other sources				
Savings on or cancellation of prior period's obligations			3,348.5	1,824.2
Transfers to (from) reserves			202.0	(10,264.6)
Credits to Member States and prior bienniums adjustments			(13,239.2)	1,494.1
Net cash from other sources			(9,688.7)	(6,946.3)
Net increase (decrease) in cash			3,421.0	(608.9)
Cash at beginning of period			12,900.2	13,509.1
Cash at end of period (Statement II)			16,321.2	12,900.2

Statement IV

GENERAL FUND

Status of appropriations by major programme for the biennium 2000-2001 as at 31 December 2001 (note 2(a)(i))

(In thousands of United States dollars)

Major Programme	Original appropriation	Transfers/ other adjustments	Revised appropriation	Disbursements during the biennium	Unliquidated obligations as at 31/12/01	Total expenditure	Balance of appropriations
Policy-making Organs	5,678.8	(797.6)	4,881.2	3,388.8	665.3	4,054.1	827.1
General Management	10,927.6	(1,371.5)	9,556.1	9,523.4	643.3	10,166.7	(610.6)
Strengthening of Industrial Capacities	40,654.6	(5,337.9)	35,316.7	28,278.0	4,524.4	32,802.4	2,514.3
Cleaner and Sustainable Industrial Development	17,133.6	(2,288.9)	14,844.7	13,993.6	1,541.2	15,534.8	(690.1)
Regional Programme Management	26,966.1	(1,641.1)	25,325.0	19,911.5	2,709.9	22,621.4	2,703.6
Administration	25,392.0	(3,320.5)	22,071.5	21,737.0	1,668.9	23,405.9	(1,334.4)
Buildings Management	40,983.1	(5,878.7)	35,104.4	21,403.6	4,601.9	26,005.5	9,098.9
Total A	167,735.8	(20,636.2)	147,099.6	118,235.9	16,354.9	134,590.8	12,508.8
Income	**Approved estimates**			**Actual income**	**Accrued income**	**Total income**	**(Excess) shortfall**
Regional Programme Management	1,015.2		1,015.2	661.7		661.7	353.5
Buildings Management	32,362.5	(4,642.2)	27,720.3	17,569.9	3,800.4	21,370.3	6,350.0
Miscellaneous Income							
(i) Estimated in GC.8/Dec.17	1,448.5	(38.7)	1,409.8	1,454.7		1,454.7	(44.9)
(ii) Not estimated in GC.8/Dec.17				(1,602.0)		(1,602.0)	1,602.0
Total B	34,826.2	(4,680.9)	30,145.3	18,084.3	3,800.4	21,884.7	8,260.6
Total A-B	132,909.6	(15,955.3)	116,954.3	100,151.6	12,554.5	112,706.1	4,248.2

Schedule 4.1

GENERAL FUND

Status of appropriations by major object of expenditure for the biennium 2000-2001 as at 31 December 2001 (note 2(a)(i))

(In thousands of United States dollars)

Major object of expenditure	Original appropriation	Transfers/ other adjustments	Revised appropriation	Disbursements	Unliquidated obligations as at 31/12/01	Total expenditure	Balance of appropriations
Salaries and common staff costs	97,337.3	(11,377.6)	85,959.7	82,054.8	1,681.6	83,736.4	2,223.3
Travel on official business	2,430.5	(247.7)	2,182.8	1,334.4	370.7	1,705.1	477.7
Contractual services	520.1	(65.3)	454.8	355.5	64.6	420.1	34.7
General operating expenses	28,909.1	(3,707.9)	25,201.2	14,389.3	4,781.6	19,170.9	6,030.3
Supplies and materials	785.9	(113.3)	672.6	377.4	63.3	440.7	231.9
Acquisition of furniture and equipment	623.1	(91.3)	531.8	114.0	144.8	258.8	273.0
Technical cooperation (1)	13,875.6	(1,832.3)	12,043.3	6,988.0	5,045.8	12,033.8	9.5
EDP non-staff costs	4,150.7	(608.0)	3,542.7	3,400.0	384.6	3,784.6	(241.9)
Other expenditures	19,103.5	(2,592.8)	16,510.7	9,222.5	3,817.9	13,040.4	3,470.3
Total A	167,735.8	(20,636.2)	147,099.6	118,235.9	16,354.9	134,590.8	12,508.8
Income	**Approved estimates**			**Actual income**	**Accrued income**	**Total income**	**(Excess) shortfall**
Salaries and common staff costs	9,651.9	(1,315.8)	8,336.1	6,990.4	6.4	6,996.8	1,339.3
Travel on official business	7.2	(0.9)	6.3	0.3	1.2	1.5	4.8
General operating expenses	18,965.3	(2,629.3)	16,336.0	9,755.5	2,380.0	12,135.5	4,200.5
Supplies and materials	206.5	(30.2)	176.3	92.1	21.4	113.5	62.8
Acquisition of furniture and equipment	315.2	(46.2)	269.0	41.1	94.9	136.0	133.0
Other expenditure	4,231.6	(619.8)	3,611.8	1,352.2	1,296.5	2,648.7	963.1
Total B	33,377.7	(4,642.2)	28,735.5	18,231.6	3,800.4	22,032.0	6,703.5
Miscellaneous income							
(i) Estimated in GC.8/Dec.17	1,448.5	(38.7)	1,409.8	1,454.7		1,454.7	(44.9)
(ii) Not estimated in GC.8/Dec.17				(1,602.0)		(1,602.0)	1,602.0
Total C	1,448.5	(38.7)	1,409.8	(147.3)		(147.3)	1,557.1
Total A-B-C	132,909.6	(15,955.3)	116,954.3	100,151.6	12,554.5	112,706.1	4,248.2

Note (1): Includes IDDA supplementary activities.

Annex III

NOTES TO THE FINANCIAL STATEMENTS

Preface

UNIDO MISSION STATEMENT

The United Nations Industrial Development Organization (UNIDO) is a specialized United Nations agency dedicated to promoting sustainable industrial development in countries with developing and transition economies.

UNIDO draws on the wide industrial expertise of its staff and the resources of government, the private sector and other United Nations, multilateral and national institutions to create productive employment, competitive economies and a sound environment.

Fostering growth and productivity is central to UNIDO's highly focused sectoral, regional and country-specific programmes. UNIDO is committed to maintaining excellent standards in the implementation of these programmes with the ultimate aim of assisting the developing countries and transition economies in their struggle against poverty and marginalization.

Note 1. Summary of significant accounting policies

The following are the significant accounting policies of UNIDO:

(a) UNIDO's accounts are maintained in accordance with the Financial Regulations of UNIDO as adopted by the General Conference, the rules formulated thereunder, administrative instructions in force as at the date of conversion of UNIDO into a specialized agency, and in conformity with generally accepted government accounting principles. UNIDO follows the accounting standards as approved by the Consultative Committee on Administrative Questions on behalf of the Administrative Committee on Coordination at its eighty-third session and requested by General Assembly resolution 48/216, and the financial statements, of which these notes form an integral part, are presented in accordance with those standards, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies.

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used.

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place.

(v) Financial statements should show corresponding figures for the preceding period.

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The UNIDO financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(c) Fund accounting. The UNIDO accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Conference or the Director-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

(d) The fiscal period of the Organization is a biennium and consists of two consecutive calendar years.

(e) The income, expenditure, assets and liabilities are recognized on the accrual basis of accounting except for trust funds and the Industrial Development Fund. For these funds, the actual contributions received from donors are shown as income, which are held in trust by UNIDO for the purpose of carrying out implementation of projects/activities agreed to by the donors.

(f) Translation of currencies. The accounts of the Organization are presented in United States dollars. Transactions in other currencies are converted into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements, prepared at such intervals as may be prescribed, reflect the cash, investments and current accounts receivable and payable in currencies other than United States dollars, converted at the United Nations rates of exchange in effect as at the date of the statements. With effect from 1 January 2002, the accounts of the Organization will be presented in euros (GC.8/Dec.16).

(g) Assessed contributions. In accordance with financial regulation 5.6, payments made by a Member State are credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed.

(h) Contributions in kind received or receivable and the value thereof are not accounted for but disclosed in the notes to the financial statements.

(i) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

(j) Deferred charges:

(i) Deferred charges comprise expenditure items that are not properly chargeable in the current fiscal period and that will be charged as expenditure in a subsequent fiscal period.

(ii) For balance sheet statement purposes only, that portion of the education grant advance which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

(k) Fixed assets. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Organization. Acquisitions are charged against budgetary accounts in the year of purchase.

(l) Commitments approved for future fiscal periods that are necessary in the interests of UNIDO, in accordance with financial rule 109.6, are disclosed in the notes to the financial statements of the respective fund. Such commitments are normally restricted to administrative requirements of a continuing nature and to other contracts or legal obligations where long lead times are required for delivery.

(m) No provision is made in the General Fund for repatriation grant entitlements or to meet contingencies under appendix D to the Staff Rules of UNIDO as funds are provided for in the budget appropriations. However, provision is made to meet repatriation grant entitlements and contingency liabilities for compensation payments under appendix D to the Staff Rules for personnel financed by technical cooperation other than UNDP and are calculated on the basis of one per cent of net base pay.

(n) Surpluses/unencumbered balances of appropriations due to Member States are funds available for credit to Member States arising from unobligated balances of appropriations, savings in the liquidation of obligations for prior periods and contributions from new Member States. In accordance with financial regulation 4.2 (b) as amended, the amount standing to the credit of Member States is reduced by the amount of contributions remaining unpaid. The balance of the surplus account is to be offset against future assessments in accordance with financial regulation 5.2 (d), unless the General Conference decides otherwise.

(o) Other income:

(i) The net income realized from revenue-producing activities is reported as other income.

(ii) Refunds of expenditures charged to prior fiscal periods are credited to miscellaneous income.

(iii) Moneys accepted in respect of which no purpose is specified are treated as miscellaneous income.

(iv) Gain/loss on exchange arises from transactions in currencies other than United States dollars and revaluation of assets and liabilities held in local currencies.

(v) Proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

(vi) Net income from sales of publications is reported as other income. Gross income and related costs are disclosed in the note to the General Fund.

(p) Technical cooperation accounts:

(i) The appropriations for technical cooperation programmes of the regular budget are administered in accordance with the Financial Regulations of UNIDO.

(ii) Allocation income—UNDP. The figures for allocation income from UNDP and UNDP trust funds are the same as reported for total expenditure in line with UNDP procedures, which require that allocations be adjusted to equal actual expenditure.

(iii) Contributions income—trust funds and Industrial Development Fund. Voluntary contributions from Governments or other donors are recorded upon receipt of cash. The use of such contributions is governed by agreements between UNIDO and the Government/donor. Upon termination, expiration, or revision of an agreement, any surplus remaining in a trust/other funds is returned to the Government/donor or disposed of as requested by the Government/donor.

(iv) Interest and miscellaneous income. Interest and miscellaneous income arising from the Regular Programme of Technical Cooperation are credited to the General Fund. Interest and miscellaneous income arising from UNDP activities are credited to the operating fund account maintained with that organization. Interest and miscellaneous income for technical cooperation trust funds are credited to relevant projects. Interest arising from Industrial Development Fund activities is credited to accounts payable until disposed of as requested by the donor. Interest accrued under the general-purpose segment of the fund is credited to that fund.

(v) The criteria for recording and reporting unliquidated obligations against the current biennium for the Regular Programme of Technical Cooperation are the same as those for the regular budget. For all other technical cooperation fund sources obligations may be reported as expenditure of the current year on the basis of the following criteria:

Personnel services

The cost of salaries and related expenses corresponding to services rendered within the calendar year. Personnel services, in this context, includes temporary assistance and overtime as well as consultants who have subscribed to Special Service Agreements. However, when the remuneration of the consultant is expressed as a lump sum rather than a sum per period worked, the full cost of the contract may be treated as an obligation of the current year.

Supplies and equipment

The full cost of contracts or purchase orders entered into prior to the end of the year, whether or not delivery has been effected, as long as there is budgetary provision in the current period.

Subcontracts

An obligation can be maintained on the basis of the payment schedule included in the signed contract with the contractor. Where no payment schedule exists, the basis is the estimated timing of payments.

Fellowships

The cost of the fellowship from the date of commencement of study to completion of study or 31 December, whichever is earlier. The fellow must have been placed, i.e. the fellowship awarded

to a named individual and the place, course and the duration of the study established and the recipient Government notified.

Travel

The full cost of travel, including the cost of transportation, subsistence allowances and other incidental expenses can be maintained if travel started prior to the end of the calendar year.

Group training

The cost of activities held in the current year. In the case of activities beginning in one year and continuing into the next, the full cost of the activity should be charged to the current year.

(vi) Unliquidated obligations for the current period in respect of all technical cooperation activities other than the regular budget remain valid for 12 months following the end of the year, rather than the biennium, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists; such liabilities are reported as accounts payable in the financial statements. Savings in the liquidation of prior period obligations are credited to individual projects as a reduction of current period expenditure in accordance with UNDP reporting requirements. The UNDP requirements are also applied in the case of the Industrial Development Fund and trust funds.

(vii) A system of average costing is used for UNDP projects whereby those elements of experts' actual costs which are unique to the individual expert are charged to UNDP projects at average cost, calculated by apportioning those costs over all UNDP projects in respect of which expert-months have been delivered in the current period.

(q) Trust funds. Director-General's bulletin UNIDO/DG/B.18/Rev.1 dated 15 May 1992 sets out revised policies for establishing and managing trust funds with effect from 26 May 1992. Extrabudgetary funds provided to reimburse the Organization for the use of its facilities are excluded from the provisions of UNIDO/DG/B.18/Rev.1.

(r) Special account for programme support costs:

(i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities. Reimbursement is calculated as a percentage of programme resources expended.

(ii) Under the UNDP successor arrangements for agency support services for programme and policy development (SPPD) as well as support for technical services (STS) are reimbursed at standard unit cost per work-month, whereas for administrative and operational services reimbursement is calculated at the rate of 10 per cent for all services.

(iii) In the financial statements of the Organization, the special account for programme support costs is shown separately from the inter-organization funds, from which its income derives.

(iv) Unliquidated obligations in respect of the special account for programme support costs are accounted for on the same basis as for the regular budget.

(s) Ex gratia payments made in accordance with financial rule 109.13 are reported in the notes to the financial statements of the respective fund pursuant to financial regulation 9.3.

Note 2. General Fund and Working Capital Fund

(a) Assessed contributions

(i) The General Conference approved an amount of $132,909,600 for the regular budget for 2000-2001 on the basis of an exchange rate of US$ 1 = AS 12.90 (GC.8/Dec.17) to be financed from contributions by Member States. This amount has been restated to $116,954,300 (a loss of $15,955,300) after applying the adjustment formula shown in decision GC.8/Dec.17 to take account of the average exchange rate actually experienced during the biennium (US$ 1 = AS 15.11385). The revised appropriations for 2000-2001 are shown in Statement IV of the financial statements.

(ii) Due to the fact that Austrian schilling contributions were converted to United States dollars at the exchange rate in effect at the time of receipt, and to the fact that Austrian schilling contributions unpaid at 31 December 2001 were revalued at the rate in effect at that date (US$ 1 = AS 15.4528), the value of the assessment decreased by $14,758,985 (a loss of $15,955,300 as stated in (i) above less $1,196,315 gain resulting from fluctuating exchange rates during the biennium on receipt of contributions) to $118,150,615. From 2002-2003, UNIDO has moved to a single currency system of assessment based on the euro. Such bookkeeping losses are therefore not expected in the future.

(b) Revenue-producing activities

Gross revenue from the sale of UNIDO publications was $229,466, one half of which ($114,733) was transferred to the sales publication revolving fund ($73,601). Costs for sales promotion activities and other expenses in the biennium 2000-2001 are $67,340, resulting in excess of income over expenditure of $47,393 ($114,733 - $67,340). The net balance of the sales publication revolving fund as at 31 December 2001 is $120,994 ($73,601 + $47,393).

(c) Currency exchange adjustments

As a result of fluctuations in the exchange rate between the Austrian schilling and the United States dollar, a net loss of $2,172,038 was realized on funds held in Austrian schillings during the biennium.

(d) Prior biennium adjustments

Pursuant to decision IDB.7/Dec.7, arrears of assessed contributions in Austrian schillings for 1998-1999 were valued at the exchange rate of US$ 1 = AS 13.38, being the average exchange rate for the three-year period covering the biennium 1998-1999 and the 12-month period following that biennium ending on 31 December 2000.

Prior biennium adjustments of $705,404 consists of the following: a decrease in the value of Austrian schilling contributions from 1998-1999 of $384,682; a decrease of $275,143 of the surplus for the biennium 1994-1995 due to the delayed receipt of additional charges from the United Nations for the UNIDO Liaison Office in New York relating to the year 1994; a decrease of $445,610 of the surplus for the biennium 1998-1999 due to the delayed receipt of charges from the United Nations for subsidies to after-service health insurance relating to that biennium; and a net increase of $400,031 of the surplus for the biennium 1996-1997 due to savings on the provision for after-service health insurance payable to the United Nations ($694,068) and payments to separated staff members as set by the tribunal ($294,037).

(e) Savings on or cancellation of obligations from the prior biennium

The following is an analysis, expressed in millions of United States dollars, of savings on liquidation of 1998-1999 obligations and of the status of appropriations for that biennium as at 31 December 2000:

Major Programme	Millions of US dollars Balance of appropriations as at 31 December 1999	Savings on liquidation of obligations in 2000	Balance of appropriations as at 31 December 2000
Policy-making Organs	0.4	0.1	0.5
General Management	0.1	0.3	0.4
Strengthening of Industrial Capacities	4.5	0.8	5.3
Cleaner and Sustainable Industrial Development	3.0	0.1	3.1
Regional Programme Management	2.0	(0.1)	1.9
Technical Cooperation Management	(0.3)	1.0	0.7
Administration	7.7	2.4	10.1
Total A	17.4	4.6	22.0
	(Excess) shortfall over approved estimate	(Excess) shortfall accrued income	(Excess) shortfall over approved estimates
Regional Programme	0.4		0.4
Administration	6.4	1.3	7.7
Miscellaneous Income	(0.3)	—	(0.3)
Total B	6.5	1.3	7.8
Total A - B	10.9	3.3	14.2

(f) Accounts receivable—other

Accounts receivable—other include the Organization's claim submitted to the Government of the United States of America in respect of United States income tax reimbursed to UNIDO staff members in 1996 and 1997 under the tax reimbursement agreement. The Government of the United States of America had communicated to the Organization that funds appropriated for tax reimbursement payments to UNIDO are presently exhausted but that it is the objective of the Government to settle the outstanding claims to the extent funds become available. No payment was received during the biennium 2000-2001.

The issue of the Organization's claim to the International Atomic Energy Agency under the cost-sharing agreement for termination indemnity costs for Buildings Management staff separated during the 1995 staff reduction exercise is not resolved. A provision for a possible write-off of this receivable is included in accounts payable.

(g) Contributions received in advance

Contributions of varying amounts, totalling $0.1 million, were received from Member States to be applied against the 2002 assessment.

(h) Borrowings

At the time UNIDO became a specialized agency an interest-free loan of $16,000,000 was received from the United Nations. The loan is repayable at the rate of $1,000,000 a year, commencing in 1990. The total amount due as at 31 December 2001 amounts to $4,000,000.

(i) Accounts payable—other

Interest income in excess of the budgetary estimate for the biennium 2000-2001 is $763,220. Pursuant to decision GC.8/Dec.10, this amount is added to accounts payable ($97,385) established for this purpose in 1999.

(j) Essential requirements programme—BMS

In the budget of the biennium 2000-2001 total costs are estimated at $5.6 million. They are to be cost-shared with all Vienna-based organizations (VBOs). UNIDO's share is approximately $1.2 million. In the biennium, $3.2 million was expended of which $2.6 million is recoverable from the VBOs. Net advances of $0.2 million received from VBOs are held in accounts payable until they are offset by future invoices.

(k) Working Capital Fund

(i) The amount of the Fund was set by the General Conference at $9 million (GC.2/Dec.27). The level of the Working Capital Fund was reduced to $6,750,000 (GC.6/Dec.16) for the biennium 1996-1997 and was further reduced to $6,610,000 for the biennium 1998-1999 (GC.7/Dec.12) and is retained at that level for the biennium 2000-2001 (GC.8/Dec.14).

(ii) The excess of the balance of the Fund over its authorized level in the amount of $28,820, representing contributions assessed to new Member States in 2000-2001 will be applied against future assessments.

(l) Surplus due to Member States

The following is an analysis of the surpluses due to Member States, expressed in millions of United States dollars after application of the provision for the delay in the collection of assessed contributions. The provision represents contributions receivable from Member States and new Member States for prior bienniums at balance sheet date.

In accordance with GC.9/Dec.10, surpluses due to Member States for the bienniums 1992-1993, 1996-1997 and 1998-1999 ($5,519,355) as well as income from new Member States ($316,684) have been set aside pending receipt of Member States' intention as to the use of their share. $5,836,039 is included and reported under accounts payable—other in Statement II.

	Millions of US dollars							
	Surplus	Disposal of surpluses	Surpluses applied to assessments	Prior biennium adjustments	Surpluses due for distribution	Provisions for delays in the collection of contributions	Surpluses due to Member States	Remarks
2000-2001	5.5						5.5	Provisional
1998-1999	13.1			0.5	4.2	8.3	0.1	
1996-1997 (GC.8/Res.4)	41.7	3.6	1.2	(0.4)	1.2	35.9	0.2	
1994-1995 (GC.7/Dec.17)	31.5	13.9		0.3		43.2	(25.9)	
1992-1993 (GC.6/Dec.15) (GC.8/Dec.10) (GC.8/Res.4)	14.7	10.3	2.2		0.1	2.0	0.1	
1990-1991	8.7					1.1	7.6	Retained - GC.5/Dec.14
1988-1989	6.5					0.2	6.3	Retained - GC.4/Dec.14
1986-1987 (GC.4/Dec.15)	4.3	4.3						
	126.0	32.1	3.4	0.4	5.5	90.7	(6.1)	
Contributions from new Member States	1.7		1.0		0.3	0.2	0.2	
Total	127.7	32.1	4.4	0.4	5.8	90.9	(5.9)	

(m) Separation indemnity reserves

Pursuant to decision GC.6/Dec.15, paragraph (e), the amount of $9,546,732 representing the balance of appropriations for the biennium 1992-1993, which was actually received by the Organization, was transferred to a separation indemnity reserve in 1995. The reserve has effectively been reduced to $991,717 by payments made during the period 1995 to 2001 amounting to $8,555,015 (in 2000-2001, $371,210). Pursuant to decision GC.7/Dec.17, the amount of $13.9 million was transferred from the unencumbered balance of appropriations for the biennium 1994-1995 for the funding of the separation indemnity reserve to meet the cost of staff separations resulting from the 1998-1999 programme and budgets. This reserve has effectively been reduced to $3,908,824 by payments made during the period 1998-2001 of $9,991,176 (savings of $19,291 in 2000-2001 resulting from cancellation of an obligation).

(n) Long-term contracts

Long-term contracts awarded for the operation of the VIC are not reported as commitments as they may be terminated at any time without penalty.

(o) Non-expendable equipment

The following table shows the non-expendable equipment, at cost, expressed in millions of United States dollars, according to the cumulative inventory records of UNIDO as at 31 December 2001. In accordance with UNIDO accounting policies, non-expendable equipment is not included in the fixed assets of the Organization but is charged against the appropriations when acquired. The minimum dollar value per item of non-expendable property is $1,500.

Balance as at 1 January 2000	12.3
Deduct: Adjustment	0.1
Add: Acquisitions during 2000-2001	1.5
Deduct: Disposals during 2000-2001	1.3
Balance as at 31 December 2001	12.4

(p) Contingent liability for end-of-service payment to staff

In accordance with the decision taken by the Panel of External Auditors in 1989 at Manila, UNIDO calculated the amounts required to cover the estimated costs of contingency liabilities for end-of-service payment as at 31 December 2001.

In line with United Nations accounting standards liabilities for end of service payments comprise end of service allowance, repatriation grant and compensation for accrued annual leave. The valuation is based on average cost of staff separating during the biennium 1996-1997. They are estimated to be:

Regular budget	$12.4 million
Operational budget	$ 3.6 million

Post-retirement benefits are excluded.

It should be noted that no budgetary provision has been made, except that in the case of the operational budget as reflected in Statement II and note 3(c) (operating reserve) there is a contingency reserve of $4.3 million which was effectively reduced to $3.0 million by negative fund balances.

(q) Contingent liability to the United Nations Joint Staff Pension Fund

Pursuant to Article 26(a) of the Regulations and Rules of the United Nations Joint Staff Pension Fund, member organizations are obliged to pay in the sum necessary to make good the deficiency in the event that the actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under these regulations. The United Nations Joint Staff Pension Fund Secretariat is to determine the potential liability of each member organization. In the report of the twenty-fifth actuarial valuation of the United Nations Joint Staff Pension Fund, the Consulting Actuary has assessed the actuarial sufficiency of the Fund. There is

no requirement for deficiency payments under Article 26 of the Regulations of the Fund as of 31 December 1999. The actuarial valuation is to be updated in 2002.

(r) After-service health insurance

Staff members (their spouses, dependent children or survivors) retiring from service under the Pension Fund Regulations at age 55 or later, are eligible for after-service health insurance coverage after having been a participant in a contributory health insurance scheme of the common system for at least 10 years. The same applies to staff members receiving compensation for disability under Appendix D to the Staff Rules. Costs of participation in this scheme are borne on the basis of joint contributions by UNIDO and the participants concerned.

During the biennium 2000-2001, the Organization's contribution to the scheme amounted to $2,544,492. The account payable of $1,000,000 due to the United Nations in respect of former UNIDO staff members insured in the United Nations insurance plan for the period 1986 to 1994 was reduced to $305,932, resulting in a savings of $694,068, as an agreement was reached with the United Nations that no further amount would be paid. The savings is thus shown as an adjustment against prior biennium (note 2(d)). In accordance with Programme and Budget Committee conclusion 2000/2 an actuarial study to determine the financial impact of the after-service health insurance was carried out, which shows the present level of unfunded liabilities to be $39.4 million.

(s) Contributions in kind

Contributions in kind estimated at s f 5,852 were received from Member States in support of the UNIDO field offices, and $82,800 in support of travel of staff.

(t) Common Fund for Major Repairs and Replacements

On 1 January 1981 an agreement between the Republic of Austria, the United Nations, and IAEA went into effect to establish a common fund for the purpose of financing the cost of major repairs and replacements of buildings, facilities and technical installations which are the property of the Republic of Austria and form part of the headquarters areas of the United Nations and IAEA at the Vienna International Centre. This agreement has also applied to UNIDO since 1986 when it became a specialized agency. The Fund is administered by UNIDO through a joint committee. Annual financial statements are prepared by UNIDO and audited by its Internal Oversight Group. The liability of each of the three VIC-located organizations, which was under the agreement limited to $150,000 per year, i.e. $25,000 as an annual contribution and up to $125,000 as reimbursement of approved expenditures incurred in the previous year, was increased to $325,000 as of 1 January 1996. The Republic of Austria is liable to pay the balance exceeding the combined limit of $900,000 established for the three United Nations organizations. In 1999 an agreement was reached between the VIC-based organizations and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO) to share the annual contribution as well as the annual expenditure equally among the four of them, i.e. $18,750 as an annual contribution and up to $225,000 as reimbursement of approved expenditure incurred in the previous year.

In 2002, an agreement was reached between the VIC-based organizations and the Republic of Austria, under which reimbursement of the disbursements made during the year 2001 shall not apply—these amount to $988,626. Under this agreement, there will only be annual assessed contributions to the fund as follows: the Republic of Austria (€1,235,300) and the Vienna-based organizations (€1,235,300). This implies a minor increase in UNIDO's annual contributions. Furthermore, the unexpected major repairs and replacements, which are not included in the agreed investment plan, will have to be shared by all parties. In the past, such costs were fully absorbed by the Austrian Government.

The Fund balance as at 31 December 2001 was $1,899,607.

(u) Reconciliation

During reconciliation of the two systems, three small items with a net amount of $1,072 were identified that could not be reflected in the biennium's financial statements. These adjustments would have increased

the excess/(shortfall) of income over expenditure from $5,444.5 to $5,445.5. All other material items have been reconciled and no further reconciliation is required.

Note 3. Other headquarters funds

(a) Funds reported under this heading comprise the special account for programme support costs and the Computer Model for Feasibility Analysis and Reporting (COMFAR).

(b) Net excess of income over expenditure

The following is an analysis, expressed in United States dollars, of income and expenditure during the biennium 2000-2001 for the funds reported under this heading.

	United States dollars		
	Special account for programme support costs	**Computer Model for Feasibility Analysis and Reporting**	**Total**
Income (including savings on cancellation of obligations from prior biennium)	18,651,992	733,381	19,385,373
Expenditure (including loss on exchange)	17,289,535	644,957	17,934,492
Net excess of income over expenditure	1,362,457	88,424	1,450,881

(c) Operating reserve

An operating reserve, established in respect of the special account for programme support costs in accordance with Programme and Budget Committee conclusion 1989/4 at $5,504,190 was reduced to $4,300,000 in accordance with Board decision IDB.14/Dec.12. The net reserve of $1,616,453 brought forward from 1999 was effectively increased by the positive fund balance of $1,362,457 for 2000-2001 to $2,978,910.

(d) Contributions in kind

Contributions in kind estimated at $286,828 were received from Member States in support of the UNIDO field offices and $2,800 in support of travel of staff.

(e) Commitments

No commitments representing legal obligations for which disbursements will be made in future bienniums were entered into prior to 31 December 2001 in respect of COMFAR.

(f) Unliquidated obligations

Unliquidated obligations are understated for COMFAR by $15,158 as at 31 December 2001 due to over-liquidation of obligations. Adjustment will be made in 2002.

Note 4. Technical cooperation

(a) Technical cooperation activities reported under the heading comprise activities executed by UNIDO with funds provided through the Industrial Development Fund, trust funds and inter-organization agreements with UNDP and other organizations, as well as the special account for the implementation of integrated programmes from the unencumbered balances of appropriations (GC.8/Res.4). These activities are governed by various agreements signed by the two parties, i.e. donor(s) and UNIDO.

(b) Use of Industrial Development Fund

In December 2001, funds from the general-purpose segment of the Industrial Development Fund (IDF) amounting to $245,667 were used to cover over-expenditures under the Regular Programme of Technical Cooperation (RPTC) and the projects implemented from the unencumbered balances of appropriations. This situation resulted from over-programming aimed at ensuring full implementation of the approved programmes, as well as the revaluation of accounts required under the split-currency system of assessment. With the establishment of a special account for RPTC and the introduction of the euro with effect from 1 January 2002, such a situation is not expected to arise in future. Sufficient savings are expected from the cancellation of obligations to recoup the funds temporarily drawn from the general-purpose IDF funds.

(c) Transfers to reserves

This represents the charge to projects in respect of the provision for compensation payments referred to in note 1(m).

(d) Cash and term deposits

Of the $154,802,900 cash balance, the equivalent of $1,463,031 is held in currencies classified as non-convertible, as follows:

Trust funds	205,180
Industrial Development Fund	1,257,851
Total non-convertible currencies	1,463,031

(e) Operating reserves

The Industrial Development Board, in decision IDB.2/Dec.7, authorized the freezing of the operational reserve of the Industrial Development Fund at $550,000.

(f) Commitments

Commitments, representing legal obligations for which disbursements will be made in future years, were entered into prior to 31 December 2001, as follows (expressed in millions of United States dollars):

Global Environment Facility	0.8
Special Account of Integrated Programmes	0.2
Industrial Development Fund	11.7
Trust funds	2.1
Inter-organization arrangements	3.4
Total commitments	18.2

(g) Ex gratia payments

No ex gratia payments were made in 2000-2001.

(h) Contributions in kind

Contributions in kind estimated at $49,200 were received from Member States in support of UNIDO projects, and $232,100 in support of project travel.

(i) Unliquidated obligations

Unliquidated obligations for technical cooperation are understated by $324,537 as at 31 December 2001, due to over-liquidation of obligations for which necessary adjustments will be made in 2002. These relate to:

Inter-organization arrangements	5,100
Trust funds	226,513
Industrial Development Fund	92,924
Total unliquidated obligations	324,537

(j) Field IOVs

The increase in unliquidated obligations is due to a backlog of $9,192,315 of unprocessed field IOVs as at 31 December 2001. This backlog is attributable to the parallel running of the two financial systems; measures have been introduced to clear this backlog.

Note 5. Self-liquidating commercial activities (annex I)

VIC Catering Services

Contingency liabilities for termination benefits and indemnities claimed by the previous caterer are the subject of ongoing arbitration. The amount claimed is €739,810 ($658,780) and is covered by the fund balance. However, funding may have to be secured relating to arbitration, which may amount to $200,000.

Non-expendable equipment used by the VIC Catering Services has been purchased by UNIDO. New non-expendable equipment in the amount of $17,939 was purchased in 2000-2001. According to cumulative inventory records total value amounts to $1,629,942. In accordance with agreements regarding the operation of the VIC, 78.98 per cent of the value of equipment acquired was recovered from other agencies. The equipment is now used by the new caterer.

An inventory loss of AS 468,865 ($30,342) for expendable supplies was reported in 2001. Necessary adjustment will be made in 2002.

Notes to the financial statements - Annex I

SELF-LIQUIDATING COMMERCIAL ACTIVITIES
(In United States dollars)

Table 1. VIC Catering Services—WIWAG

Statement of income and expenditure for the biennium 2000-2001

Income		
Gross sales		7,404,942
Less:	Cost of goods sold	2,597,383
Net income from sales		4,807,559
Other income		183,365
	Total income	4,990,924
Expenditure		
Personnel services		3,987,577
Other		605,056
	Total expenditure	4,592,633
Excess (shortfall) of income over expenditure		398,291

Statement of assets and liabilities as at 31 December 2001

Assets		
Cash		311,107
Accounts receivable		412,136
Inventory		47,542
	Total assets	770,785
Liabilities and Reserves		
Accounts payable		440,073
Provision for replacement of expendable supplies		10,434
	Total liabilities	450,507
Fund balance		
Balance available 1 January 2000		0
Add:	Excess (shortfall) of income over expenditure	398,291
Deduct: Credit to Caterer		78,013
Balance available 31 December 2001		320,278
	Total liabilities and Fund balance	770,785

Table 2. VIC Catering Services—Eurest

Statement of income and expenditure for the biennium 2000-2001

Income	
Gross sales	0
Less: Cost of goods sold	0
Net income from sales	0
Other income	31,612
Total income	31,612
Expenditure	
Personnel services	0
Other	175,523
Total expenditure	175,523
Excess (shortfall) of income over expenditure	(143,911)

Statement of assets and liabilities as at 31 December 2001

Assets	
Cash	333,541
Accounts receivable	4,543
Interest receivable	3,052
Advances	349,451
Total assets	690,587
Liabilities	
Accounts payable	28,810
Total liabilities	28,810
Fund balance	
Balance available 1 January 2000	805,688
Add: Excess (shortfall) of income over expenditure	(143,911)
Balance available 31 December 2001	661,777
Total liabilities and Fund balance	690,587

Notes to the financial statements - Annex II
TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO

Table 1. Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 2000-2001
(In thousands of United States dollars)

	Regular Programme	Industrial Development Fund	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	*Subtotal Extrabudgetary Funds*	Total
INCOME								
Assessed contributions								
Voluntary contributions		101,003.2	6,512.3	26,086.3		4,405.3	*138,007.1*	138,007.1
Other income								
Funds received under inter-organization arrangements					21,813.5		*21,813.5*	21,813.5
Allocations from other funds	7,009.9							7,009.9
Interest income		340.8	10.4	3,232.5			*3,583.7*	3,583.7
Currency exchange adjustments		(664.5)		(991.4)			*(1,655.9)*	(1,655.9)
Miscellaneous		(29.1)		(14.6)			*(43.7)*	(43.7)
TOTAL INCOME	7,009.9	100,650.4	6,522.7	28,312.8	21,813.5	4,405.3	*161,704.7*	168,714.6
EXPENDITURE								
Salaries and common staff costs	3,441.9	29,058.9	9.0	15,452.6	8,636.9	2,693.0	*55,850.4*	59,292.3
Contractual services	821.6	43,183.1	214.0	4,187.5	2,291.3	284.4	*50,160.3*	50,981.9
Operational expenses	424.1	2,673.4		1,180.8	1,371.7	197.1	*5,423.0*	5,847.1
Acquisitions	866.3	18,328.2		2,916.6	5,289.8	622.0	*27,156.6*	28,022.9
Fellowships	1,456.0	4,636.0		2,905.8	1,612.5	340.5	*9,494.8*	10,950.8
Programme support costs		11,751.9		2,449.2	2,627.1	268.9	*17,097.1*	17,097.1
TOTAL EXPENDITURE	7,009.9	109,631.5	223.0	29,092.5	21,829.3	4,405.9	*165,182.2*	172,192.1
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		(8,981.1)	6,299.7	(779.7)	(15.8)	(0.6)	*(3,477.5)*	(3,477.5)
Prior biennium adjustments								
Provision for delay in collection of contributions								
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		(8,981.1)	6,299.7	(779.7)	(15.8)	(0.6)	*(3,477.5)*	(3,477.5)
Savings on or cancellation of prior biennium's obligations								
Transfers to reserves		145.9		83.9			*229.8*	229.8
Transfers from reserves								
Transfers to/from other funds								
Credits to Member States								
Other adjustments to reserves and fund balances								
Reserves and fund balances, beginning of biennium		82,732.7		31,621.1	15.8		*114,369.6*	114,369.6
RESERVES AND FUND BALANCES, END OF BIENNIUM		73,897.5	6,299.7	30,925.3	0.0	(0.6)	*111,121.9*	111,121.9

Table 2. Combined statement of assets, liabilities, and reserves and fund balances as at 31 December 2001

(In thousands of United States dollars)

	Regular Programme	Industrial Development Fund	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	Total 2001
ASSETS							
Cash and term deposits		109,841.9	6,369.0	35,918.6	2,673.4		154,802.9
Investments							
Accounts receivable							
Assessed contibutions receivable from Member States							
Voluntary contributions receivable							
Other contributions receivable					4,073.5		4,073.5
Less provision for delay in collection of contributions							
Interfund balances			1.6		5,014.6	884.5	5,900.7
Other		3,110.7	7.0	2,376.7	379.2		5,873.6
Other assets		0.5			9,933.2		9,933.7
TOTAL ASSETS	-	112,953.1	6,377.6	38,295.3	22,073.9	884.5	180,584.4
LIABILITIES							
Payments or contributions received in advance					4,277.5		4,277.5
Unliquidated obligations		22,176.9	77.9	5,071.2	4,209.8	885.1	32,420.9
Accounts payable							
Interfund balances		185.4		181.5	3,626.1		3,993.0
Other		16,693.3		2,117.3	9,960.5		28,771.1
Other funds and special accounts							
Other liabilities							
TOTAL LIABILITIES	-	39,055.6	77.9	7,370.0	22,073.9	885.1	69,462.5
RESERVES AND FUND BALANCES							
Operating reserves		550.0					550.0
Other reserves		1,191.7		1,059.5			2,251.2
Balances relating to projects funded by donors		70,025.8	6,299.7	29,865.8			106,191.3
Working capital funds							
Surplus (deficit)		2,130.0				(0.6)	2,129.4
TOTAL RESERVES AND FUND BALANCES	-	73,897.5	6,299.7	30,925.3	0.0	(0.6)	111,121.9
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		112,953.1	6,377.6	38,295.3	22,073.9	884.5	180,584.4

Table 3. Summary of transactions on sub-accounts of the Industrial Development Fund for the biennium 2000-2001 as at 31 December 2001

(In United States dollars)

	Fund balance as at 01/01/2000	Cash received 2000 - 2001	Expenditure 2000 - 2001	Misc. income incl. General Pool interest earned 2000 - 2001 (a)	Fund balance as at 31/12/2001
General-purpose convertible	2,486,357	851,650	1,548,820	340,823	2,130,010
Agence de Coopération Culturelle et Technique	89,123	191,778	237,694	1,085	44,292
Agence Wallonne à l'Exportation	146,594	399,345	322,290	30	223,679
Australia	2,654	2,371	13,185	11,083	2,923
Austria	3,216,191	2,821,483	2,966,212	305	3,071,767
Austria - Integrated Programme	0	1,851,232	807,793	38	1,043,477
Bahrain	184,331	705,539	807,431	9	82,448
Belgium	1,027,288	1,031,599	774,992	(459,418) (b)	824,477
Brazil	29,696	0	0	0	29,696
Brazil - Pernambuco State	0	130,900	12,665	0	118,235
China	567,164	1,332,761	766,655	48	1,133,318
Common Fund for Commodities	(731,004)	1,361,236	1,081,137	30	(450,875)
Côte d'Ivoire	(109,207)	0	0	0	(109,207)
Corporación Andina de Fomento	0	1,424	0	(1,424)	0
Costa Rica	(28,879)	27,850	(369)	0	(660)
Czech Republic (Ministry of Foreign Affairs)	84,040	138,848	43,581	7	179,314
Czech Republic (Ministry of Trade and Industry)	6	14	(8)	0	28
Democratic People's Republic of Korea	16,931	17,388	0	0	34,319
Denmark	2,756,126	4,068,091	2,106,448	87	4,717,856
Egypt	(101,718)	0	0	0	(101,718)
Finland	226,403	26,726	80,939	0	172,190
France (Ministère des Affaires Étrangères)	498,625	1,161,350	1,308,778	35,547	386,744
France (Ministère d'Agriculture)	1,107,217	144,451	405,676	51	846,043
Germany (c)	1,793,339	-5,498	1,269,562	(369)	517,910
Greece	666,250	676,907	767,251	(2,885)	573,021
Guatemala	443,724	532,243	415,857	15	560,125
Honduras	0	39,682	0	0	39,682
Hungary	523,581	436,675	331,063	(5,615)	623,578
India	1,679,020	1,196,955	930,753	81	1,945,303
Convention to Combat Desertification (INCD)	0	(10)	0	5	(5)
Invemi della Beffa, Italy	21	(21)	0	0	0
Iran (Islamic Republic of)	(2,337)	2,337	0	0	0
Ireland	92,389	123,209	144,198	(569)	70,811
Italy	9,650,699	6,077,304	6,739,961	6,920	8,994,962
Japan	3,093,923	5,140,075	5,246,406	(19,955)	2,967,637
Japanese Standards Association	(45)	(1,714)	(1,759)	0	0
Kuwait	0	156,258	27,049	0	129,209
Kuwait Institute	(279)	0	0	0	(279)
Luxembourg	0	151,223	148,171	4	3,056
Montreal Protocol	42,208,455	54,917,178	66,140,986	(112,932)	30,871,715
Netherlands	3,539,988	1,374,011	3,087,561	(1,025)	1,825,413
New Zealand	19,156	13,501	0	0	32,657
Norway	139,262	11,496	(4,339)	952	156,049
Norway - Integrated Programme	0	671,533	193,613	(9)	477,911
Poland	55,330	673,654	587,296	5,091	146,779
Portugal (Institute for Portuguese Cooperation)	126,709	90,708	0	0	217,417
Portugal (Multilateral Cooperation)	561,719	124,440	0	0	686,159
Republic of Korea	851,517	328,901	165,193	(107)	1,015,118
Rockefeller Foundation	0	47,461	47,795	(1)	(335)
Saudi Arabia	601,560	757,829	14,521	2,338	1,347,206
SG des Eaux Minérales de Vittel	(1,450)	1,450	0	0	0
Slovakia	169,202	161,308	206,223	(3,154)	121,133
Spain	0	1,088,337	105,537	0	982,800
Switzerland	1,891,268	6,274,764	7,172,163	573	994,442
Thailand	56,506	5,800	54,590	13	7,729
Turkey	0	37,813	0	0	37,813
Undetermined	(1,152)	0	133,595	0	(134,747) (d)
United Kingdom - Integrated Programme	0	3,066,071	1,601,658	(138)	1,464,275
Venezuela	62	(1)	0	0	61
Total special-purpose convertible	77,139,978	99,586,265	107,260,003	(543,288)	68,922,952

Table 3 (*continued*)

	Fund balance as at 01/01/2000	Cash received 2000 - 2001	Expenditure 2000 - 2001	Misc. income incl. General Pool interest earned 2000 - 2001 (a)	Fund balance as at 31/12/2001
Bulgaria	(7,014)	7,145	0	(131)	0
China	138,806	(24,669)	9,598	(32)	104,507
Cuba	307,148	42,000	0	0	349,148
Czech Republic (Ministry of Foreign Affairs)	15,426	(12,881)	(2,382)	(8,520)	(3,593)
Egypt	(45,546)	0	0	0	(45,546)
Egyptian Iron and Steel Co	31,942	0	0	0	31,942
Hungary	169,296	(166,067)	(6,382)	(9,611)	0
India	582,896	220,343	216,802	(93,781)	492,656
Iran (Islamic Republic of)	1,049	(1,010)	0	(39)	0
Poland	276,747	228,424	447,036	(13,421)	44,714
Romania	492	76	0	(385)	183
Russian Federation	(77)	0	0	(2,536)	(2,613)
Slovakia	128,848	179,306	157,985	(20,170)	129,999
Technology Information, Forecasting and Assessment Council, New Delhi	388	0	0	0	388
Turkey	(90,147)	91,379	0	(479)	753
Undetermined	298	(3)	0	0	295
Total non-convertible	1,510,552	564,043	822,657	(149,105)	1,102,833
Grand total	81,136,887	101,001,958	109,631,480	(351,570)	72,155,795

(a) Amounts shown in this column reflect interest income (General Pool UC only), income/charges for completed projects, bank charges, gain/loss on exchange on general transactions and on revaluation of bank balances.

(b) The negative amount shown for Belgium represents the transfer of accumulated income from gain on revaluation of bank balance to the Belgian contribution account of project US/RAF/97/056.

(c) Includes balances from former German Democratic Republic.

(d) Amount to be adjusted during 2002 against respective donors.

Table 4. Summary of technical cooperation activities financed by trust funds for the biennium 2000-2001 as at 31 December 2001
(In United States dollars)

	Fund balance 01/01/00	Contributions received/(refunds), interest and miscellaneous income 2000-2001	Expenditures 2000-2001	Fund balance 31/12/2001
Projects financed by recipient Governments				
Algeria	5,272	100,883		106,155
Argentina	2,590,496	(1,143,119)	964,738	482,639
Belarus	23,644	2,560		26,204
Bolivia	11,243	1,217		12,460
Brazil	751,833	(272,161)	84,803	394,869
Chile	6,158	666		6,824
China	50,763	674,195	313,523	411,435
Colombia	70,889	576,817	226,488	421,218
Côte d'Ivoire	188,659	8,723	171,661	25,721
Egypt	470,283	86,084	415,020	141,347
Gabon		33,767	15,899	17,868
Honduras		50,452	43,078	7,374
India	436,561	1,379,319	791,993	1,023,887
Iran, Islamic Republic of	58,548	156,651	98,692	116,507
Iraq	190,335	20,601		210,936
Lebanon		71,904	46,946	24,958
Libyan Arab Jamahiriya	102,480	(7,269)	(3,687)	98,898
Madagascar	111,031	13,632	(10,430)	135,093
Mauritius	33,030	4,192	6,407	30,815
Mexico	1,101	119		1,220
Nigeria		1,013,400		1,013,400
Oman	23,398	17,482	29,569	11,311
Panama	9,075	982		10,057
Paraguay	15,707	1,907	(166)	17,780
Peru	72,735	(72,735)		0
Russian Federation	99,666	588,033	402,670	285,029
Saudi Arabia	185,443	33,929	27,770	191,602
Slovenia	166,341	8,782	159,461	15,662
Thailand	27,107	2,587	21,043	8,651
Turkey	12,131	1,313		13,444
Subtotal	5,713,929	3,354,913	3,805,478	5,263,364
Associate Experts				
Austria	132,821	147,486	185,163	95,144
Belgium	652,285	32,280	356,720	327,845
Denmark	108,883	794,075	653,554	249,404
France	69,380	115,821	87,956	97,245
Germany	88,602	137,438	193,527	32,513
Italy	148,100	546,869	479,332	215,637
Japan	511,811	251,110	93,617	669,304
Netherlands	677,632	575,913	720,777	532,768
Norway		86,888	85,355	1,533
Republic of Korea	67,118	(16,092)	51,026	
Russian Federation	24,861	132,848	112,617	45,092
Spain		104,484	14,697	89,787
United Kingdom	26,017	(24,611)	1,406	
Subtotal	2,507,510	2,884,509	3,035,747	2,356,272
Junior Professional Officers				
Austria	28,421	3,076		31,497
Belgium	134,234	25,364	315	159,283
Denmark	216,828	(177,026)	17,548	22,254
France	13,364	(13,364)		0
Germany	494,546	(411,325)	41,078	42,143
Italy	32,594	(32,594)		0
Japan	52,963	5,732		58,695
Netherlands	255,619	54,997	(159)	310,775
Norway	20,748	15,113	4,084	31,777
Sweden	45,167	(45,167)		0
Switzerland	18,628	2,016		20,644
Subtotal	1,313,112	(573,178)	62,866	677,068

Table 4 (*continued*)

	Fund balance 01/01/00	Contributions received/(refunds), interest and miscellaneous income 2000-2001	Expenditures 2000-2001	Fund balance 31/12/2001
Projects financed by donor Governments				
Australia	49,652	5,160	41,004	13,808
Austria	126,187	256,908	283,872	99,223
Belgium	385,380	31,953	193,826	223,507
Canada	7,468	11,303	5,001	13,770
Czech Republic	119,768	263,365	253,367	129,766
Denmark		601,248		601,248
Finland	100,661	568,725	263,635	405,751
France	127,817	987,403	219,286	895,934
Greece	52,328	3,791	30,358	25,761
Italy	8,035,028	10,241,620	11,757,183	6,519,465
Japan	7,473,685	1,565,332	4,415,194	4,623,823
Norway	(11,255)	63,509	49,772	2,482
Republic of Korea	320,107	409,789	148,247	581,649
Slovakia	6,675	723		7,398
Sweden	76,927	(93,027)	(16,100)	0
United Kingdom	456,149	467,434	273,994	649,589
USA	344,363	37,199	2,584	378,978
Subtotal	17,670,940	15,422,435	17,921,223	15,172,152
Other trust funds				0
ALCOA Inter America Inc.	15,797	1,709		17,506
Arab Bank for Economic Development		15,429	12,979	2,450
Arthur Andersen & Co	4,270	462		4,732
Associate Mining Industries, Nigeria	24,119	2,610		26,729
Bahrain Development Bank	31,753	32,076	58,205	5,624
Beni Suef Cement Company	30,519	3,303		33,822
Cement Company of Northern Nigeria	229,368	24,825		254,193
Centro de Investigaciones Textiles	101,746	23,289	8,066	116,969
Ceylon Steel Corporation	4,768	516		5,284
Chiyoda Corporation	3,639	(3,639)		0
Common Fund for Commodities		263,810	206,834	56,976
Cooperation Council for the Arab States of the Gulf	10,536	1,140		11,676
Engineering Consulting Firms Association	10,324	1,117		11,441
EPSTEIN Engineering Export Ltd.	728	79		807
European Union	61,977	1,428,144	62,153	1,427,968
Fed. Chemical & Ceramics Corp.	(1,513)	(164)		(1,677)
Food and Agriculture Organization of the United Nations	248	27		275
IFAD	146,957	14,393	86,704	74,646
Industrial Research and Consultancy Centre	329			329
Infocon	25,508	(26,677)	(1,169)	0
Inversionec Cofide S. A.	13,900	1,505		15,405
Iran Itok Engineering	9,606	1,040		10,646
Islamic Development Bank	26,639	91,716	93,123	25,232
Magnetti Marelli	50,484	3,589	47,108	6,965
Mitsui Co. Ltd.	8,826	955		9,781
New Nigeria Development Co.	23,660	2,706	(1,959)	28,325
Nigerian National Petroleum Corporation	697,736	76,644	208,000	566,380
Norad	674,750	2,985,025	1,388,721	2,271,054
Organisation Africaine de Communication par Satellite	66,444	7,938	717	73,665
Petroliam Nasional Berhard	25,427	2,751		28,178
PREMAG	2,342	253		2,595
RCA Holding AG	235,058	(160,050)	75,008	0
Procter and Gamble Far East, Inc.	413	80	18	475
Servicio Nacional de Aprendizagem Industrial	499,897	404,274	623,425	280,746
Sezione Speciale per l'Assicurazione de Credito	32,889	3,559		36,448
Shahid Modarres Ind Pharmac	48,615	5,263		53,878
Staudhammer Finanz AG	3,029	328		3,357

Table 4 (*continued*)

	Fund balance 01/01/00	Contributions received, interest and miscellaneous income 2000-2001	Expenditures 2000-2001	Fund balance 31/12/2001
Swedish International Enterprise Development Association	38,576	218,550	11,743	245,383
TESID Turkish Electronic Industries Association	1,607	174		1,781
The Ford Foundation	1,590	172		1,762
The Yemen Corporation for Cement Industries	14,174	1,534		15,708
Ukrainisch-österreichisches Forum	20,097	(20,097)		0
Unilever	1,012	236	(1,249)	2,497
United Nations	450	49		499
United Nations Fund for International Partnership		1,045,607	582,939	462,668
USAID	(360)	(39)		(399)
World Bank	161,869	(24,118)	(6,720)	144,471
Subtotal	3,396,329	6,432,093	3,454,646	6,337,250
Multi-donor trust funds	80,189	792,018	812,532	59,675
Subtotal	80,189	792,018	812,532	59,675
TOTAL	30,682,009	28,312,790	29,092,492	29,865,761

Table 5. Summary of technical cooperation activities for the biennium 2000-2001 financed under inter-organization agreements
(In United States dollars)

	Project expenditure	Programme support	Total expenditure
UNDP			
UNDP main programme	3,444,190	320,128	3,764,318
Support services for policy and programme development	2,432,008	897,492	3,329,500
Support for technical services at the project level	668,231	505,106	1,173,337
Project for which UNIDO is the associated agency	501,356	31,975	533,331
Government-executed projects for which UNIDO is the implementing agency	8,250,487	785,046	9,035,533
UNDP trust funds	3,905,993	87,255	3,993,248
	19,202,265	2,627,002	21,829,267

Annex III

OPERATING FUNDS—UNDP AND UNDP TRUST FUNDS

Report No. 1

UNITED NATIONS DEVELOPMENT PROGRAMME
(Name of Executing Agency)
(UNIDO)
Status of Funds as at 31 December 2001
(expressed in United States dollars)

Operating Fund

		$	$
Balance at 1 January 2001			1,456,149
Add:	Cash drawings from UNDP - see note 1 below	(10,100,000)	
	IOVs	20,868,838	
	Other charges/credits (net)	(397,972)	
	Miscellaneous income and exchange adjustments (net) (Report No. 8)	72,687	
	Miscellaneous items refunded to UNDP (net) (Report No. 8)	(186,488)	10,257,065
			11,713,214
Less:	Expenditure and support costs for lines implemented for self-executed projects (Executing PDRs)	3,266,519	
	Expenditure and support costs for lines implemented for projects executed by other agencies and Governments (Implementing PDRs)	4,168,482	
	Adjustment to prior years AOS	723	7,435,724
Balance at 31 December 2001			4,277,490

Represented by:

	Cash at banks, on hand and in transit	2,673,415	
	Accounts receivable (Report No. 9)	15,248,218	17,921,633
Less:	Accounts payable (Report No. 10) - see note 1 below	12,492,373	
	2001 Unliquidated obligations	1,151,770	13,644,143
Balance at 31 December 2001			4,277,490

Note 1 The above statement reflects advances from UNIDO of US$ 1,000,000 which were not included in the initial Status of Funds submitted to UNDP for 2001. The effect of this item has been to increase both the Cash Drawings and Accounts Payable balances.

CERTIFIED CORRECT

[*Signed*]

Sajjad Ajmal
Director and Treasurer, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magariños
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the biennium ended 31 December 2001 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Bonn,

[*Signed*]
Norbert Hauser
Vice-President of the
Federal Court of Audit, Germany
External Auditor

STATEMENT 1
UNITED NATIONS POPULATION FUND
(Executing Agency)
Status of Funds as at 31 December 2001

OPERATING FUND

Balance as at 1 January 2001		18
Add:		
Cash drawings from UNFPA		
Miscellaneous income/Exp. (Schedule 3)		(18)
Deduct:		
Project Costs		
Disbursements (Schedule 2)		
Unliquidated obligations (Schedule 2)		
Administrative & Operational Services Costs (Schedule 2)		
Add/subtract:		
Adjustments to prior year's expenditure (Schedule 4)		
Adjustments to prior year's Administrative & Operational Services Costs		
Balance as at 31 December 2001		
Represented by:		
Cash at banks, on hand and in transit		
Accounts receivable		
Deduct:		
Accounts payable (Schedule 5)		
Unliquidated obligations		
Balance as at 31 December 2001		

STATEMENT OF UNSPENT ALLOCATIONS

Unspent balance of allocations as at 1 January 2001		3,291
Add:		
Net allocations issued by UNFPA from 1 January to 31 December 2001		
		3,291
Deduct:		
Allocations issued for future years		
		3,291
Allocations available for 2001		(3,291)
Deduct:		
Allocations utilized during 2001		
Unspent balance of allocations for current year		
Add:		
Allocations issued for future years		
Unspent balance of allocations as at 31 December 2001		

CERTIFIED CORRECT

[*Signed*]

Sajjad Ajmal
Director and Treasurer, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the biennium ended 31 December 2001 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended

Bonn,

[*Signed*]

Norbert Hauser
Vice-President of the
Federal Court of Audit, Germany
External Auditor

REPORT 13

STATEMENT I
REPUBLIC OF KOREA FUND FOR THE TUMEN REGION
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)

Status of Funds at 31 December 2001
(expressed in United States dollars)

Operating Fund		$	$
Balance at 1 January 2001			(17,806)
Add:	Cash drawings from UNDP		
	IOV's		
	Other charges/credits (net)		
	Miscellaneous income and exchange adjustments (net) (Report No. 19)		
	Miscellaneous items refunded to trust fund (net) (Report No. 18)		
			(17,806)
Less:	Expenditure during 2001		
	For projects		
	Disbursements (Report No. 15A)	17,746	
	Unliquidated obligations (Report No. 16)	6,605	
	For AOS (Report No. 15A)	2,435	26,786
			(44,592)
Add/subtract:			
	Adjustments to prior years (Report No. 15B):		
	Expenditure		
	Support costs		
	AOS		
Balance at 31 December 2001			(44,592)
Represented by:			
	Cash at banks, on hand and in transit		
	Accounts receivable (Report No. 20)		
Less:	Accounts payable (Report No. 21)	37,987	
	Unliquidated obligations (Report No. 16)	6,605	44,592
			(44,592)

CERTIFIED CORRECT

[*Signed*]

Sajjad Ajmal
Director and Treasurer,
Financial Services Branch

APPROVED

[*Signed*]

Carlos Magariños
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 2001 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Bonn,

[*Signed*]

Norbert Hauser
Vice-President
Federal Court of Audit, Germany
External Auditor

REPORT 13

STATEMENT I
UNITED NATIONS CAPITAL DEVELOPMENT FUND
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)
Status of Funds at 31 December 2001
(expressed in United States dollars)

Operating Fund		$	$
	Balance at 1 January 2001		(313,469)
Add:	Cash drawings from UNDP		
	IOVs		
	Other charges/credits (net)		313,469
	Miscellaneous income and exchange adjustments (net) (Report No. 19)		
	Miscellaneous items refunded to trust fund (net) (Report No. 18)		
			0
Less:	Expenditures during 2001		
	For projects		
	Disbursements (Report No. 15A)		
	Unliquidated obligations (Report No. 16)		
	For support costs (Report No. 15A) a/		
	For AOS (Report No. 15A)		
	Add/subtract:		
	Adjustments to prior years (Report No. 15B):		
	Expenditure		
	Support costs		
	AOS		
	Balance at 31 December 2001		0
	Represented by:		
	Cash at banks, on hand and in transit		
	Accounts receivable (Report No. 20)		
Less:	Accounts payable (Report No. 21)		
	Unliquidated obligations (Report No. 16)		0
			0

a/ Old regime only

CERTIFIED CORRECT

[*Signed*]

Sajjad Ajmal
Director and Treasurer,
Financial Services Branch

APPROVED

[*Signed*]

Carlos Magariños
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 2001 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Bonn,

[*Signed*]

Norbert Hauser
Vice-President
Federal Court of Audit, Germany
External Auditor

REPORT 13

STATEMENT I
GLOBAL ENVIRONMENTAL FACILITY
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)

Status of Funds at 31 December 2001
(expressed in United States dollars)

Operating Fund

		$	$
Balance at 1 January 2001			(373,006)
Add:	Cash drawings from UNDP		
	IOVs		
	Other charges/credits (net)		
	Miscellaneous income and exchange adjustments (net) (Report No. 19)		
	Miscellaneous items refunded to trust fund (net) (Report No. 18)		
			(373,006)
Less:	Expenditure during 2001		
	For projects		
	Disbursements (Report No. 15A)	3,108,674	
	Unliquidated obligations (Report No. 16)	487,492	
	For AOS (Report No. 15A)	59,712	3,655,878
			(4,028,884)
Add/subtract:			
	Adjustments to prior years (Report No. 15B):		
	Expenditure		
	Support costs		
	AOS		
Balance at 31 December 2001			(4,028,884)
Represented by:			
	Cash at banks, on hand and in transit		
	Accounts receivable (Report No. 20)		
Less:	Accounts payable (Report No. 21)	3,541,392	
	Unliquidated obligations (Report No. 16)	487,492	4,028,884
			(4,028,884)

CERTIFIED CORRECT

[*Signed*]

Sajjad Ajmal
Director and Treasurer,
Financial Services Branch

APPROVED

[*Signed*]

Carlos Magariños
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 2001 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Bonn,

[*Signed*]

Norbert Hauser
Vice-President
Federal Court of Audit,
Germany
External Auditor

STATEMENT I REPORT 13

UNITED NATIONS DEVELOPMENT FUND FOR WOMEN
(TITLE OF TRUST FUND)
(NAME OF PARTICIPATING AND EXECUTING AGENCY)
(UNIDO)

Status of Funds at 31 December 2001
(expressed in United States dollars)

Operating Fund		$	$
Balance at 1 January 2001			(46,834)
Add:	Cash drawings from UNDP		
	IOVs		
	Other charges/credits (net)		46,834
	Miscellaneous income and exchange adjustments (net) (Report No. 19)		
	Miscellaneous items refunded to trust fund (net) (Report No. 18)		
			0
Less:	Expenditure during 2001		
	For projects		
	Disbursements (Report No. 15A)		
	Unliquidated obligations (Report No. 16)		
	For support costs (Report No. 15A) a/		
	For AOS (Report No. 15A)		0
			0
Add/Subtract:			
	Adjustments to prior years (Report No. 15B)		
	Expenditure		
	Support costs		
	AOS		
Balance at 31 December 2001			0
Represented by:			
	Cash at banks, on hand and in transit		
	Accounts receivable (Report No. 20)		
Less:	Accounts payable (Report No. 21)		
	Unliquidated obligations (Report No. 16)		0
			0

a/ Old regime only

CERTIFIED CORRECT

[*Signed*]

Sajjad Ajmal
Director and Treasurer,
Financial Services Branch

APPROVED

[*Signed*]

Carlos Magariños
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 2001 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

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[*Signed*]

Norbert Hauser
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